

Annual reports that strengthen corporate reputation: meeting the needs and expectations of the investors

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Master's Thesis
Degree Programme in
Communication Management
2017



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Degree programme Communication Management (Master's)	
Report/thesis title Annual reports that strengthen corporate reputation: meeting the needs and expectations of the investors	Number of pages and appendix pages 151 + 14
<p>Public companies are legally obliged to disclose annual financial results to their shareholders, investors or any other interested audiences. The documents that provide such disclosure are commonly known as annual reports, and in addition to the mandatory financial reporting, modern-day annual reports often contain voluntary disclosure – information about business strategy, operational environment, sustainability reporting, corporate governance, risk management, and other information that is considered important and relevant by those preparing a report.</p> <p>At the time when the study was conducted, there was no legislation in Finland that would oblige public companies to disclose any other information than financial statement in accordance with International Financial Reporting Standard (IFRS). The financial statements shall be produced in strict compliance with the abovementioned reporting standard; however, the content of voluntary disclosure that companies include into annual reports is not regulated, and as a result, varies significantly from company to company.</p> <p>Many researchers consider annual reports to be important communication tools that have significant effect on corporate reputation. The aim of this research was to identify specific criteria towards the format and content of voluntary disclosure of a good annual report from the perspective of its primary audience – investors and shareholders; analyse how those needs and expectations are currently met in the annual reports produced by Finnish public companies, and come up with a proposition on how the annual reports of publicly listed Finnish companies may or shall be enhanced in order to fulfil the expectations of investors and shareholders better and consequently, contribute positively to corporate reputation.</p> <p>The research was designed as exploratory sequential study: at the first stage of the research qualitative data was collected to identify the needs and expectations of investors towards annual reports and an instrument (research matrix) to proceed with at the second stage of the research was developed basing on the findings of the data analysis; at the second stage, the quantitative data was collected from the annual reports 2015 of the sample companies and analysed using the research matrix.</p> <p>The research matrix itself is a valuable outcome of the research as it can be used by those preparing annual reports to produce reports that fulfil the needs and expectations of investors better, as well as by researchers for further studies in the field of corporate reporting.</p> <p>An analysis of the annual reports 2015 of the sample companies revealed, that in general corporate reporting practices in Finland are very good and the studied reports comply with many of the identified criteria. However, there are areas in corporate reporting practices that could significantly benefit from further improvement. The recommendations on how to implement the improvements and produce annual reports that fulfil the expectations of investors better (and thus positively impact corporate reputation) are provided in this report.</p>	
Keywords Reputation management, investor relations, corporate communication, corporate reporting, annual report	

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1 Introduction

This chapter introduces concepts of reputation management, financial reporting and annual reporting, briefly discusses the effects they have on corporate reputation. Recent changes in the communication practices caused by digitalization of communications are also covered in this chapter, and the aim and objectives of the research are set. The chapter is concluded with the introduction to the structure of the research.

1.1 Corporate reputation

Doorley and Garcia (2011, 9) concluded, that there were disagreements between scholars on whether reputation can or cannot be managed. However, the authors claim, that some major business scandals that took place in the beginning of the 21st century had clearly demonstrated that reputation can be mismanaged or quite often it is not being managed at all. Frequently, companies see reputation as something intangible, hence unmanageable. Such approach is not correct, as reputation has tangible value that can be measured. (Doorley & Garcia 2011, 9.)

According to Fombrun (1996, in Roper & Fill 2012, 7), a good corporate reputation is based on four factors: credibility, reliability, trustworthiness and responsibility. Doorley and Garcia (2011, 13) define nine criteria for measuring corporate reputation: innovation, quality of management, employee talent, financial performance, social responsibility, product quality, communicativeness (transparency), governance, and integrity (responsibility, reliability, credibility, trustworthiness).

Poiesz (1988, in van Riel & Fombrun 2007, 47) states, that good corporate reputation is especially influential when stakeholders are making decisions relying on complex, contradictory, incomplete information; when the information is insufficient; or when the decision is being made in a rush. Roper and Fill (2012, 23) claim that companies with good reputation have a competitive advantage and overall have higher share price.

1.2 Investor relations and corporate reputation

Investor relations (IR) is the function (or externally obtained services) of publicly traded companies, and its primary goal is positioning company to effectively compete for investors' capital (Argenti 2013, 199). Doorley and Garcia (2011, 209) define three goals of IR, of which the third one is similar with the one defined by Argenti (2013, 199): 1) ensuring that the stocks and bonds are fairly valued at the stock exchange; 2) fulfilling disclosure

obligations under securities law and government regulations and 3) creating competitive advantage for the shares of the company in the investment marketplace.

According to Roper and Fill (2012, 9), strong reputation provides companies with a competitive advantage over competitors, and the stock of companies with good reputation is more valuable; more people are willing to invest into it. At the same time, van Riel and Fombrun (2007, 184) suggest that good relationships with financial audiences improve company's reputation. Thus, as a function responsible for obtaining competitive advantage for the shares of the company, building and maintaining strong corporate reputation is among top priorities of Investor Relations practitioners.

Corporate reputation is a sum of images of an organization held by its key stakeholder groups (Roper & Fill 2012; Fombrun 1996, in van Riel & Fombrun 2007; Doorley & Garcia 2011). The five key stakeholder groups for organizations are: employees, customers, investors, government, and the public (van Riel & Fombrun 2007, 181). Consequently, how organization is perceived by one of its key stakeholder groups – investors – has a strong effect on company's reputation.

1.3 The need for transparent communication

Argenti (2013, 196) suggests that investors need “understandable explanations of financial performance as well as nonfinancial information about companies”. Financial reporting is a critical information component for investors in their decision making (Fung 2014, 74). Financial market regulators aim to ensure that investors are provided with the information that may impact their decision-making in a timely, efficient and transparent manner.

Transparency in financial reporting enables financial market participants to evaluate the financial condition of a company accurately and at the same time, increase confidence in the fairness of the markets. In order to ensure that companies disclose all the material information regarding its activities that may affect decision-making of investors, in addition to mandatory timely disclosure of important events through stock exchange releases, publicly listed companies are obliged by the stock exchanges as well as by corporate legislation to publish their accounts on a regular basis – quarterly and annually. Such quarterly and annual reporting is expected to be clear, reliable, consistent, comparable and transparent by the audience that it is being targeted at – investors and creditors (Fung 2014, 74).

However, it is not only financial information that has effect on decision making of financial market participants. It has been argued that due to the growing importance of intangible assets, corporate value can be no longer solely reflected in the financial statements (Arvidsson 2011, 278). In the knowledge-based and information-driven era, non-financial information disclosure is essential to decrease the gap between market and book value for many organizations. Voluntary disclosure of non-financial information is highly encouraged by various national and international initiatives, as well as local market regulators and authorities.

Recent studies showed, that on average, one-third of weight when deciding on buying or selling stock investors attribute to nonfinancial measures, and particularly credibility of the management, quality of strategy execution, attractiveness for top talent and board policies (Argenti 2013, 196). Fung (2014, 75) also emphasizes, that nowadays corporate reporting shall not be limited to financial disclosure, but encompass broader information, such as company's objectives, ownership structure and shareholders' rights, changes in control and transactions of significant assets, etc.

Fombrun (1996, in Roper and Fill 2012, 5) defines reputation as "net perception of a company's ability to meet the expectations of all its stakeholders." in other words, for a company to maintain a good reputation, the expectations of its key stakeholder groups shall be met. Providing investors and shareholders with the financial and nonfinancial information in an accurate, transparent and timely manner is a prerequisite for a public company to maintain a good reputation. Moreover, transparent and consistent communication with stakeholders and periodic disclosure of company-specific information on a voluntary or mandatory basis can enhance company's reputation (Fung 2014, 74).

1.4 The strategic role of annual reports

Annual reports as they are known today evolved from companies' mandatory yearly reports to shareholders, documents that report on companies' activities and finances over the previous financial year. Mandatory annual disclosures have slowly grown into Corporate Annual Reports (CARs), communication tools that contain not only externally audited financial statements that are required to be disclosed by law, but are also quite often used to highlight the recent achievements, promote the company, and share other information, e.g., company's strategy, corporate governance and risk management principles, contact information, industry insights and reviews, photos of the members of the board and top management, etc. with external audiences.

Annual reports had been playing a role in shaping corporate reputation for decades. Being the most time-consuming and expensive endeavours, it is nowadays used as both an image vehicle and a reporting tool. (Argenti 2013, 210.) A report by Deloitte (2015a, 5) shares the same approach to annual reports, stating that a good annual report not only fulfils legal obligations in terms of information disclosure, but among other contributes to company's reputation, boosts its image and credibility, and allows to obtain overall good publicity across all stakeholder groups.

Naser et al. (2003, 600) refer to the multiple previous studies (e.g. Lee and Tweedie, 1975, 1977; Arnold and Moizer, 1984; Streuly, 1994; Abu-Naser and Rutherford, 1996; Firth, 1979; Botosan, 1997; Epstein and Pava, 1993) and conclude that through the decades, annual reports had gained a reputation of the most important and effective means of financial communication among researches.

As due to the growing importance of intangible assets, corporate value can be no longer solely reflected in the financial statements (Arvidsson, 2011, 278), and today non-financial information disclosure is essential to decrease the gap between market and book value for many organizations. Voluntary disclosure of non-financial information is highly encouraged by various national and international initiatives, as well as local market regulators and authorities

1.5 The aim and objectives of the research

As explained in the previous subchapters, annual reports of public companies are formal disclosure documents filed on yearly basis that have strong influence on corporate reputation. The aim of this research is to come up with specific criteria of a good annual report that would contribute to the company's image and reputation and provide recommendations on how companies listed at Helsinki Exchange could enhance their annual reports to be the most beneficial for their reputation.

The objective of the research is to identify the needs and expectations of investors and shareholders as primary stakeholders of annual reports (as justified further on in subchapter 2.9) towards the document in questions, analyse how those needs and expectations are currently meet by the companies listed at Helsinki Exchange, and come up with a proposition on how the annual reports of publicly listed Finnish companies may or shall be enhanced in order to fulfil the expectations of investors and shareholders and, as a result, contribute positively to corporate reputation.

Basing on the research objective, the following research question has been formulated:

“How can the companies listed in Finland improve their annual reports to meet the information needs and expectations of investors and shareholders in a concise, well-structured and logical manner, and thus, serve as efficient communication tools that contribute positively to corporate reputation?”

The research question has been broken down into following sub-questions:

Q1. What are the needs and expectations of investors and shareholders towards annual reports of public companies and how they can be fulfilled?

Q2. How well the needs and expectations of investors and shareholders are met in annual reports produced by the companies that are listed at Helsinki Exchange?

Q3. How Finnish publicly listed companies could improve their annual reports to better serve the needs and expectations of investors and shareholders and thus contribute positively to corporate reputation?

This study does not aim to study or give recommendations on how to improve the parts of annual reports that must comply with compulsory reporting framework or are in other way regulated by law. The focus of the study is on the expectations of investors and shareholders towards the format, voluntary disclosure content, and timing of annual reports produced by publicly listed companies. The research does not focus on brand management concepts (e.g., corporate style and corporate identity, logo, brand personality) or marketing communication concepts, as annual reports are primarily organizational communication tools (van Riel & Fombrun 2007, 20).

1.6 The structure of the research

The process of the research is illustrated in Figure 1. Firstly, relevant communication theories and most recent researches related to reputation management, investor relations and corporate reporting practices were thoroughly studied in order to build a solid understanding of the key concepts and related theories (chapter 2).

Once the solid theoretical framework had been built, chapter 3 describes research methodology and design, explains the data sources (Appendix 1) and justifies the selected sample of the study (the sample annual reports are listed in Appendix 2). Chapter 4 is focused on annual reporting practices and the needs and expectations of investors towards format and content of annual reports. Since this study is future-oriented, the sources of

data for the analysis were the latest relevant scholarly articles, reports on corporate reporting issued by Big Four companies (PwC, Deloitte, EY, KPMG), and researches and study papers by accounting associations and governing bodies (Appendix 1).

Basing on the investors' and shareholders' expectations towards modern annual reports identified through analysis of the recent European and American studies (2013-2017) that are presented in chapter 4, an instrument (research matrix) was developed for estimating how well an annual report meets their needs and requirements, whether there is a need for development, and which improvements can be done to an annual report to increase its contribution into positive perception of a company and its activities by investors and shareholders, and, consequently, strengthen corporate reputation of a company producing it. The research matrix and its variables are discussed in chapter 5.



Figure 1. Research process

Chapter 6 presents the results of the analysis of the sample annual reports (as listed in Appendix 2) that was carried out using the research matrix and includes some general conclusions regarding corporate reporting practices among companies listed at Helsinki Exchange. Chapter 7 provides an analysis of the results of the whole study, comparing the annual reporting of the sample companies with the needs and expectations of the stakeholders and a proposal on how the annual reports could be improved in the future in order to fully satisfy the needs and preferences of the investors and shareholders even better.

The summary of the conducted study is presented in chapter 8. Seven principles that it is recommended to follow when producing modern annual reports in order to make them meet the highest expectations of shareholders and investors and hence positively contribute to corporate reputation are listed in that chapter in addition to some other final thoughts on the matter: learning outcomes, research limitations, and suggestions for further studies.

2 Literature review

This chapter introduces fundamental theoretical concepts that are related to the subject of study. The key concepts and principles of corporate communications, reputation management, stakeholder communications, investor relations and legal implications of financial communications are discussed in this chapter. The role of corporate annual reporting, primary target audience of annual reports and the impact that the specified documents have on corporate reputation are discussed at the end of this chapter.

2.1 Corporate communication

Cornelissen (2011, 5) defines corporate communication as a “management function that offers a framework for the effective coordination of all internal and external communication with the overall purpose of establishing and maintaining favourable reputations with stakeholder groups upon which the organization is dependent”. According to Doorley & Garcia (2011, 39), corporate communication function integrates employee communication, media relations, government relations, investor relations, and community relations among others.

2.1.1 Communication agenda: building corporate reputation

According to Cornelissen (2011, 3), the objective of building, maintaining and protecting the company’s reputation is the core task of corporate communication practitioners. The concept of corporate reputation has many definitions that vary depending on the discipline from the point of which the definition has been given, however van Riel and Fombrun (2007, 43) summarize the existing definitions to a clear and simple one: reputation is the overall assessment of organizations by their stakeholders. They also specify, that it is social, financial, product and recruitment images that together shape corporate reputation (Fombrun 1996, in van Riel and Fombrun 2007, 43). Argenti (2013, 72) suggests “Reputation framework” that illustrates how the perception of customers, investors, employees and community in general of corporate identity elements (names, brands, symbols, self-presentations) together frames corporate reputation (Figure 2).

Doorley and Garcia (2011, 32) agree with Fombrun (1996) regarding reputation being a sum of images, however, add their own specification: “Reputation = Sum of Images = Performance and Behaviour + Communication”, meaning that in order to build strong reputa-

tion an organization shall not only focus on achieving KPIs (performance), but also act decently (behavior) and skillfully inform stakeholders about those achievements and decent behaviors (communication).

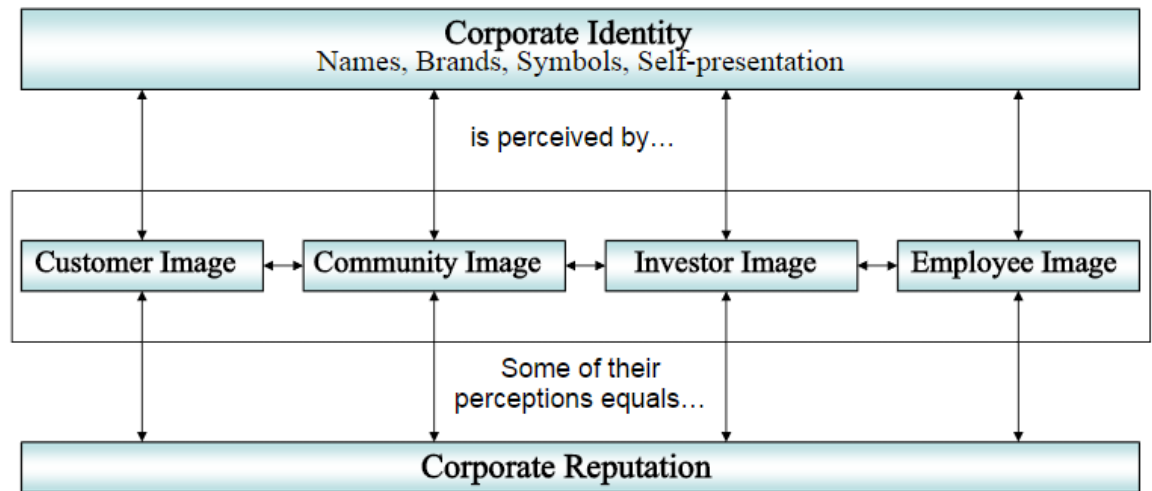


Figure 2. Corporate Reputation Framework, adapted from Argenti (2013, 72)

Roper and Fill (2012, 7) use another definition by Fombrun (1996) to provide a summary of various interpretations of reputation:

“A corporate reputation is a collective representation of a firm’s past actions and results that describes the firm’s ability to deliver valued outcomes to multiple stakeholders. It gauges a firm’s relative standing both internally with employees and externally with its stakeholders, in both its competitive and institutional environments.”

Thus, corporate reputation is based on perceptions of the external and internal stakeholders of an organization. As Figure 2 illustrates, having positive images among the four key stakeholder groups - customers, investors, employees and community overall - is a prerequisite of good reputation. Reputation is built up over time and is not a simple perception at a given moment (Argenti 2013, 87). However, a company that fails to fulfil its obligations towards any of its key stakeholder groups loses its good reputation built over time quite quickly.

2.1.2 Corporate personality, identity, brand, image and reputation

At this point, it is important to define essential concepts of corporate communications: corporate personality, image, identity and reputation. There are certain contradictions between the terminologies even amongst scholars. Table 1 illustrates a comparison between

the definitions used in studies by Argenti and Druckenmiller (2004, 369) and Roper and Fill (2012, 34-36).

Table 1. Comparison of terminology between the works of Argenti and Druckenmiller (2004, 369) and Roper and Fill (2012, 34-36)

Roper & Fill (2012)	Argenti & Druckenmiller (2004)	Definition	Question
Corporate personality	Identity	Consists of a company's defining attributes, such as its people, products, and services.	Who are you?
Corporate Brand or identity	Corporate Brand	A brand that spans an entire company (which can also have disparate underlying product brands.) Conveys expectations of what the company will deliver in terms of products, services, and customer experience. Can be aspirational.	Who do you say you are and want to be?
Corporate Image	Image	The organization as seen from the viewpoint of one constituency . Depending on which constituency is involved (customers, investors, employees, etc.), an organization can have many different images	What do constituencies think of who you are and who you tell them you are?
Corporate Reputation	Reputation	The collective representation of multiple constituencies' images of a company, built up over time and based on a company's identity programs, its performance and how constituencies have perceived its behavior	What all constituencies think of who you tell them you are and what you've done?

Roper and Fill (2012, 35) use a concept of corporate personality and at the same time consider corporate identity and corporate brand as synonymous. Roper and Fill (2012, 35) see corporate personality as the core nature of any organization. Markwick and Fill (1997, in Roper & Fill 2012, 35) define two key facets of corporate personality: the dominant corporate culture and strategy development process. Even though organizational culture defines both internal and external behaviour, corporate personality is more of internal characteristic, "what goes on behind the scenes". Mission, vision and values of the company are the elements of corporate personality that are being communicated externally. Argenti and Druckenmiller (2004, 369), use the concept of corporate identity as the very core of an organization, a set of its defining attributes.

Corporate identity, according to Roper & Fill (2012, 35) or corporate brand in terminology used by Argenti and Druckenmiller (2004) is organization's strategic choices and its ex-

pression thereof (Abbrat & Kleyn 2012, 1051.) Roper & Fill (2012, 35) explain that corporate identity is how an organization presents itself to internal and external stakeholders, including such key points as (1) what an organization is (2) what it does and (3) how it does it (Olins 1995, in Roper and Fill 2012, 35) and consists of three elements: symbolism (visual identity), planned and unplanned communications, and the behaviour of employees and management.

Corporate image is how an organization is perceived by different audiences. Argenti & Druckenmiller (2004, 369) emphasize that the difference between image and reputation is that different constituencies may have varying images of an organization, but reputation is the multiple representation of such images. This statement one more time confirms the definitions of corporate reputation by Doorley and Garcia (2011, 32) and van Riel and Fombrun (2007, 43) provided in subchapter 2.1.1, stating that reputation is a sum of images held by different constituencies.

All in all, Argenti & Druckenmiller (2004), Doorley & Garcia (2011), Roper & Fill (2012), and van Riel and Fombrun (2007) agree that corporate reputation is the collective perception of a company by its customers, employees, investors and community built over time.

2.2 Reputation management: how reputations are being formed

There has not been an agreement reached between the scholars on whether reputation can or cannot be managed. Doorley and Garcia (2011, 25) insist that reputation is an asset with tangible value (even though reputation itself is intangible), thus it shall be managed like any other asset. Skilful reputation management not only protects reputation against the downside, but also increases enterprise value of an organization (Doorley & Garcia 2011, 25).

At the same time, Argenti (2013, 87) argues that reputation is based on the perception of organization's constituencies; thus, being an outcome, reputation is not possible to manage. Hutton et al. (2001; in van Woerkum & van Lieshout 2007, 359) also expresses doubts on whether it is possible to truly manage reputation, as it is the outcome of all organization's activities.

Van Riel and Fombrun (2007, 46) suggest that reputations are being formed from cognitive associations gained through three levels of information processing: 1) personal experience 2) what friends and colleagues say about product and 3) mass media information, including paid advertisement and unpaid publicity.

On the other hand, managing reputational risks shall play a centring role when developing communication strategy (Argenti 2013, 118). Other scholars also see the main objective of reputation management as mitigation of reputational risks and dealing with reputational crises (van Woerkum & van Lieshout 2007, 356). Fombrun and van Riel (2004; in van Woerkum & van Lieshout 2007, 358) highlight the importance of transparency and responsiveness in reputation management strategy during a crisis.

As it can be observed from Figure 2, an important role in forming corporate reputation is attributed to corporate identity. Argenti (2013, 88) and Cornelissen (2011, 69) agree that a strong reputation is the result of alignment between corporate identity and its perception by the key stakeholders (images). Fombrun (1996; in van Woerkum & van Lieshout 2007, 359) also sees corporate identity as the “backbone” of reputation. Roper and Fill (2012, 35) see corporate reputation as a result of how well corporate identity is being perceived by the stakeholders.

2.3 Stakeholder communications

The stakeholder theory developed by R.E. Freeman (1984) is a theory of organizational management that identifies and classifies the groups or individuals that can affect or are affected by the actions of an organization. Such groups or individuals are referred to as organization’s stakeholders (Freeman, 1984; in van Riel & Fombrun 2007, 162).

Van Riel and Fombrun (2007, 162) state, that since companies have many stakeholders and each group of stakeholders have their own interests and needs, it is impossible to organize corporate communications to serve all of them equally. The authors see an essential need to identify the key stakeholder groups – “those that are the most crucial to the company for implementing its goals” (van Riel & Fombrun 2007, 162) – and prioritize (though not to limit to) communications with them over communications with the less influential groups of stakeholders.

According to van Riel and Fombrun (2007, 181), there are five key stakeholder groups for the majority of organizations: employees, customers, investors, government, and the public. Cornelissen (2011, 41) also separates such groups as suppliers, and distinguishes between communities and trade associations, political groups, governments (government and publics according to van Riel & Fombrun 2007, 181)

Large organizations have separate departments to address the needs of the major stakeholder groups: internal communications department to communicate with employees, marketing communications to communicate with customer accounts, investor relations to communicate with investors and analysts who monitor organization's financial results and prospects, government relations (also known as public affairs department) to build relationships with market regulators, legislators, and other authorities' representatives, and public relations to interact with the NGOs and activist groups motivated by concern over a particular social or environmental problem that an organization may be involved with (van Riel & Fombrun, 2007, 181-182).

Cornelissen (2011, 42) empathizes that building positive image among one of the stakeholder groups delivers reputational returns that can also affect the views of other groups of stakeholders.

2.4 Investor relations: the role of financial communications

Investor relations (IR) is the function of an organization responsible for maximizing a company's market value (Bragg, 2010, 2); it is established to affect the behaviour of analysts and investors (Kirk & Vincent 2014, 1422).

In earlier literature, investor relations was also referred to as "financial public relations" (e.g. Grunig & Hunt 1984, 348). Since there are external factors such as economy and industry conditions and internal factors such as operating and financial results that affect the company's market value that cannot be altered by investor relations department, the primary objective of the investor relations function is to present those factors favourably to the investment community (Bragg 2010, 3). Kirk & Vincent (2014, 1421) see the main purpose of investor relations as managing communications between the management and potential investors, analysts, press, and other external stakeholders.

Hoffman and Fieseler (2011, 139) distinguish two main roles of investor relations from the previous literature studies: IR as a reporting function and IR as image-building function. Even back in the days, Grunig and Hunt (1984, 350) pointed out that the objective of financial public relations should be more than just disclosure of information, since "message retention and acceptance requires interpretation and simplification". Hence, one of the responsibilities of the IR function is to ensure that the messages are received and interpreted as favourably as possible for the company's reputation.

Communication scholars emphasize the similarities between investor relations and public relations functions, as both strive to create positive reputation (Hoffman & Fieseler, 2011, 141).

Van Riel and Fombrun (2007, 184) summarize previous studies to draw three principal functions of investor relations:

1. To comply with market regulations
2. To develop favourable relationship with key financial audiences
3. To contribute to building and maintaining positive image and reputation of the organization.

These three principals are very resonating with another definition of investor relations function given by US National Investor Relations Institute (NIRI) (2003, in Hoffman & Fieseler 2011, 139):

“investor relations function in an organization integrates finance, communication, marketing and legal compliance in order to maximize the effectiveness of two-way communication between the company and its shareholders, financial community, and some other constituencies (market analysts, financial journalists, etc), with the ultimate goal of increasing the market value of the organization.”

Investor relations function was previously considered as a part of financial function of an organization, and although it could have been linked with Public Relations department, usually the IR tasks were conducted by financial department. Nowadays, as the importance of strategic investor relations has grown and credible transparent communications is required to build trust and maintain reputation among the stakeholders, IR tend to be coordinated by the public relations functions or by external financial PR agencies.

2.5 Key stakeholders of investor relations communications

Marston and Straker (2001, 82) interpreted investor relations as communication of financial information between companies and key publics such as financial communities, investors, and analysts. Grunig and Hunt (1984, 351) distinguish four groups of financial publics: current shareholders, prospective shareholders, financial community (including bankers, brokers, investment advisers and analysts, trustees, managers of mutual funds, insurance companies and pension funds), and financial journalists.

As a connecting link between a company and external financial community, IR as an image-building function implicates establishing mutually beneficial relationships with current and potential investors and shareholders, increasing company's visibility in capital markets and striving to ensure the acceptance and cooperation of relevant financial market participants through communication (Hoffman & Fieseler 2011, 142-143).

Thus, the key publics of investor relations function's communication activities are potential and current investors (shareholders), as well as financial community overall and financial journalists (Marston & Straker 2001; Grunig & Hunt 1984; Hoffman & Fieseler 2011).

2.6 Agency theory and investor relations function

As the ownership and control are separated in the vast majority of public companies, agency theory applies to the shareholder-management relationships. Agency theory is an economic model that explains the behavior of two parties engaged in a contract that may have conflicting interests and different level of information (Wright et al., 2001, 413). Also known as principal-agent problem, one of the most commonly known and well-studied examples of agency theory is relationships between shareholders (principals) and top management of the company (agents). As principals hire the agents to work for them, it is expected that the agents (management) would pursue in their work the interests of the principals. However, it is only natural that the agents strive to pursue the interests of their own, which in some cases may contradict to the interests of the shareholders.

Transparent communication processes and corporate governance procedures are required for the owners (shareholders) to ensure that the agents (management) act in the best interests of the principals, even though their own interests may differ or contradict. Corporate governance procedures however do not fall into the scope of the study.

The development of the IR function can be explained with the necessity for the management to manage shareholder relations and protect itself from the critics and accusations of the shareholders. It can be assumed that investor relations departments were adopted to routinize shareholder relations, provide voluntary disclosure and handle the external pressure from the social movement dedicated to the expansion of shareholder rights and the growing pressure from market analysts. (Rao & Sivakumar 1999, 30.)

2.7 Legal implications of financial communication

As a reporting function, Investor Relations department must ensure that a publicly traded company discloses the information that is required by law or by the stock exchange where its shares are traded at, in a timely and accurate manner.

The legal liabilities of a listed company are not limited to publishing periodic disclosure, e.g., half-yearly and annual financial results, but also require immediate disclosure of any its decisions, its actions or any information about the company that may affect the value of a company (Financial Supervisory Authority 2017).

Many companies disclose more information than they are obliged to, for this reason corporate reporting can be divided into mandatory (the information that has to be disclosed due to regulations) and voluntary. The quality and quantity of voluntary disclosure may vary significantly from company to company, and there is no consensus yet whether it affects financial valuations of the company. (Van Riel & Fombrun 2007, 187.)

2.8 Corporate annual reports

A corporate annual report is a formal document produced by public companies mostly to comply with the legal corporate reporting requirements that exist in the most of the countries (Stanton & Stanton 2002, 478). At the same time, an annual report is one of the most important Investor Relations tools that serves as important instrument of strategic stakeholder communication (Ditlevsen 2012, 381). Most of the modern days' annual reports consist of statutory and non-statutory disclosure (Stanton & Stanton 2002, 479).

Statutory part of the report used to contain disclosure of legally required financial information presented in a standard manner (Stanton et al. 2004, 57). The most commonly used standards nowadays are International Financial Reporting Standards (IFRS) that are adopted in more than 110 countries, among others, in the countries of the European Union, Russia, Canada, and Australia. Another standard – Generally Accepted Accounting Principles (GAAP) is in use in the USA.

Traditional statutory section of the report consists of quantitative information (balance sheet, financial statement) and accounting narrative, such as Footnotes to the Financial Statement, Report of the Board of Directors and Auditor's Report. The above-mentioned elements must be included into annual reports produced by the publicly traded companies.

The content of the statutory part is guided by legislation, and compliance with the reporting framework adapted in the country of company's registration is mandatory. All elements of statutory disclosure are externally audited, and auditors also scrutinize compliance with the reporting framework. Financial reporting of Finnish companies shall comply with IFRS framework.

It is important to note the differences in the corporate legislation in different countries and specific requirements of stock exchanges towards the reporting of its participants. In some countries, mandatory disclosure for publicly listed companies is not limited to financial reporting (Brazil, South Africa). Starting from the reporting year 2017, some of the European (and Finnish) companies will be obliged to broaden their statutory disclosure and include information on their current and upcoming risks and activities related to environmental, social and employee matters, respect for human rights, and anti-corruption activities. These changes concern only some of the largest corporation, more information regarding these changes in European legislation is further discussed in subchapter 4.3.3.

Non-statutory section of the report is usually assigned to the front section of the report (also referred to as "front-end"), and it contains narratives and other non-mandatory information disclosure (Stanton et al. 2004, 57). Managerial and sustainability disclosure (if financial and social responsibility reports are published together) had been traditionally assigned to this section. Despite the changes in European legislation, managerial and sustainability reporting disclosures remain voluntary for most European companies.

There are no requirements or limitations on what may or may not be included into non-statutory part of the report. In the previous studies the researchers concluded that the narrative elements of an annual report play an important role in the formulation of corporate image and reputation, as it may provide an explanation of the actions taken or planned to the stakeholders (Jonäll & Rimmel 2010, 309). The narratives that are most commonly included into non-statutory section of the reports are CEO's letter, Chairman's report, Management Discussion and Analyses, Operating and Financial Reviews, Corporate Governance and Risk Management, Environmental Disclosures.

2.9 Target audience of annual reports

Traditionally, the primary audience of corporate annual reports had always been the company's shareholders, and the primary focus of the report was the value created for those shareholders (Desmond 2000, 170). Brag (2010, 75), also emphasized the importance of

focusing on the current shareholders when producing an annual report, and even though e.g. the analysts are an important group of organizations' stakeholders, the content of an annual report shall not be targeted at them; instead, separate materials for analysts should be issued. Desmond (2000, 170) also considered analysts as the secondary audience, along with other groups of the company's stakeholders such as its customers, employees, suppliers, and communities (including media, policy makers and commentators). In the report by Association of Chartered accountant ACCA (2012, 4), investors are also defined as the foremost audience of annual reports; moreover, it is suggested that their needs shall be taken as the core for future developments of corporate reporting practices.

The research implemented by Alattar and Al-Khater (2007) on the users' views on corporate reports in Qatar proved that the needs of various users of Annual Reports are very different from each other. The research was implemented among individual and corporate investors, bank loan officers, financial analysts and government officials. However, the results also showed that the interests of various groups of stakeholders had been taken into account when annual reports were produced (Alattar & Al-Khater 2007, 322) in contradiction to the recommendations of the scholars to focus on the needs and expectations of investors and shareholders.

The stakeholder relations theory implies that different groups of stakeholders have different, sometimes even contradictive interests (Cornelissen 2011, 44). As van Riel and Fombrun (2007, 162) stated, companies have too many stakeholder groups to target their interests at the same time, and effective communication begins with prioritizing stakeholders and targeting those that are the most important for company implementing its goals. Considering the initial purpose of annual reports (to provide financial results of the previous year to current shareholders), as well as arguments of Brag (2010) and Desmond (2000) the first priority for a company when producing an annual report shall be the needs and expectations of its shareholders and investors.

However, it is important to remember that even though corporate annual reports shall be targeted primarily at the current shareholders and their interests, the reports can easily be accessed by representatives of other stakeholder groups – e.g. employees, customers, or partners, and the content shall be consistent with the information that is disclosed through other communication channels to the latter ones. Bragg (2010, 75) especially emphasized the importance of consistency and continuity of annual reports.

Each organization is different, and despite the fact that the majority of scholars consider investors as the primary audience of corporate annual reports, corporate annual reports can also be produced by non-listed companies, in which case the key target audience would be different – e.g. bank loan officers, social groups, government officials, etc., depending on the size and the nature of the business. However, this study is limited to the annual reports that are produced by publicly traded companies, and thus, shall be targeted primarily at investors and shareholders.

2.10 Annual report as a tool to strengthen corporate reputation

Many researchers agree that the of annual reports is much more complex and important than compliance with legislation and market regulations by making financial statements publicly available. Hynes and Bexley (2004; in Hrasky & Smith 2008, 418) claim that annual report is the key means of communication with investors. Goodman (2006, 203) considers that improving of corporate reporting practices is a way to enhance corporate reputation.

Annual reports remain the most time-consuming, expensive and high-profile endeavors among other IR materials. Even though originally the purpose of filing annual reports was to make the operations of public listed companies more transparent, annual reports had been playing a role in shaping corporate reputation for decades, and nowadays they are used as both image vehicles and reporting tools. (Argenti 2013, 210.)

A good annual report not only fulfils legal obligations in terms of information disclosure, but among other contributes to company's reputation, boosts its image and credibility, and allows to obtain overall good publicity across all stakeholder groups (Deloitte 2015a, 5). In the previous studies the researchers concluded that it is the narrative elements of an annual reports that play the important role in the formulation of corporate image and reputation, as it may provide an explanation of the actions taken or planned to the stakeholders (Jonäll & Rimmel 2010, 309).

As corporate reputation is a summary of images of an organization held by customers, employees, investors and community as a whole (Figure 2), IR function is responsible of building a positive image of an organization among investors. As highlighted by Cornelissen (2011, 42), building positive image among one of the key stakeholder groups delivers reputational returns.

Fombrun (1996, in Şomacescu 2017, 177) defined corporate reputation as a net perception of capacity of an organization to meet the expectations of all its stakeholders. Thus, in order for corporate annual reports to be effective communication tools that contribute positively to corporate reputation, they shall meet the needs and expectations of its primary stakeholder groups (as defined in previous subchapter 2.9) – organizations' current and potential shareholders and investors.

3 Methodology

This chapter describes the methodological design of the research that had been carried out to provide answers to the research question and sub-questions as they were defined in subchapter 1.5: identify the needs and expectations of investors and shareholders towards corporate annual reporting; measure how well their needs and expectations are being addressed in the annual reports produced by companies listed at Helsinki Exchange; and provide the recommendations on how the annual reports of the companies listed in Finland can be improved to serve as a reputation management tool (by fulfilling the needs and expectations of the investors, thus shaping financial image of an organization, one of the four components of corporate reputation, as explained in previous subchapters).

Research strategy and approach, data collection and analysis, as well as the scope of the study are defined in this chapter. Validity and reliability of the results are also discussed at the end of the chapter.

3.1 Methodological design of the research

Methodological design is the plan on how to conduct the research. It describes and justifies the choices of research strategy (ethnography, case study, etc.), research approaches (inductive or deductive), research methods (techniques, used to collect data), research tools (devices used to collect data, e.g. surveys, checklists, etc.), as well as data analysis methods. The methodological design shall be tailored to the needs of the research in question.

The sub-objectives of this research were to identify the needs and expectations of investors and shareholders towards annual reports of public companies and to evaluate how those needs and expectations were met in the documents prepared by the leading Finnish listed companies in 2015. The final objective of the study was to propose how the annual reports of Finnish companies can be improved to meet information needs and expectations of investors and shareholders in a concise, well-structured and logical manner, and thus, serve as efficient communication tools that contribute positively to corporate reputation

The research was designed as exploratory sequential study (Figure 3), which means that at the first stage of the research qualitative data was collected, then the data gathered at

the first stage was analysed; an instrument (research matrix) to proceed with at the second stage of the research was developed; and at last, the quantitative data was collected and analysed.

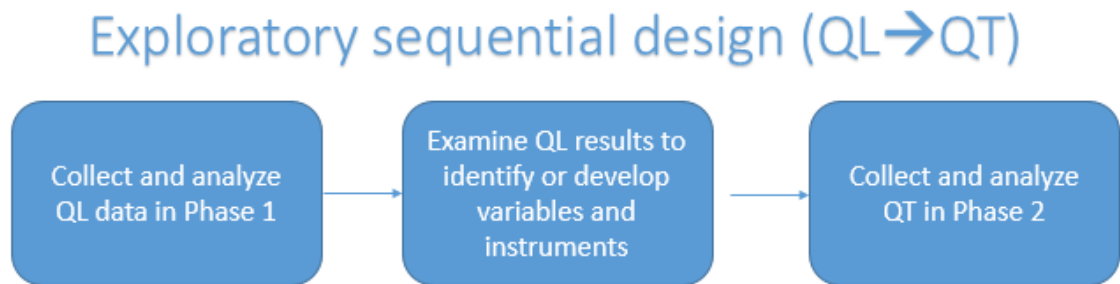


Figure 3. Exploratory sequential design adapted from Guest et al (2012, 193)

The quantitative data that was collected at the second stage of the research was analysed in the context; the focus of the study was not only on the content of the studied documents, but also on its usability, function, and fulfilment of the requirements of the primary target audience in accordance with methodology described by Prior (2008) and presented in subchapter 3.2.1.

To fulfil the objective of the research, the latest recommendations regarding annual reporting of the regulating organizations and professional associations as well as studies and reports of the Big Four consultancy companies (PwC, Deloitte, EY, KPMG) were studied during the first stage of the research (the list of data sources is presented in Appendix 1). In addition, multiple online resources were studied to identify web design trends and technological possibilities of different web-based formats of annual reports that can be used to make annual reports well-structured and easy to navigate through (one of the criteria of good annual reports as further justified in subchapter 4.4.3). As a result of data analysis, a research matrix was developed as a tool for evaluation of how those needs and expectations were met in the annual reports produced by the 25 public companies, that were traded the most at Helsinki Exchange in the spring 2016 thus constituting OMXH25 index (companies are listed in Appendix 2).

The research matrix includes a range of variables, that were formulated at the first stage of the research: formats of annual reports, design solutions and techniques used to facilitate access to particular information and its processing, content elements, compliance with GRI and <IR> reporting frameworks, timing, materiality and credibility of non-statutory sections of reports, and future orientation of the narratives.

At the second stage of the research, the annual reports 2015 produced by the sample companies (listed in Appendix 2) were analysed using the research matrix that had been developed as a result of the findings of first stage of the report. The results of the analysis demonstrated which needs, expectations and preferences of the shareholders and were met in the annual reports 2015 of the sample companies. As the time frame of the study allowed, in order to add longitude perspective to the study, annual reports of the sample companies for the financial year 2016 were also analyzed, even though not as thoroughly. Such additional analysis allowed to monitor whether the companies are willing to adjust their corporate reports to better serve the needs and expectations of the investors.

As a result of the second stage of the research, the gap between the needs and expectations of the investors and how those needs and expectations were met in sample annual reports of the Finnish public companies was identified. The recommendations that were formulated based on the results of the research on how to improve annual reports to make them logical, well-structured, concise documents that would positively impact company's image among investors and thus strengthen corporate reputation are presented in chapter 7.

3.2 Research strategy and approach

Exploratory research can be also defined as content-driven, inductive approach. Instead of testing a hypothesis, it aims at providing an answer to the research questions. The variables and analytic categories are not predetermined, but derive from the data generated during the research. (Guest et al. 2012, 7.)

The research strategy for this study was mixed-method content analysis. Mixed methods in the research strategy means that both qualitative and quantitative research methods are applied in research design. The benefits of mixed methods is that it allows to combine what is generally considered as qualitative data –“words, pictures, and narratives” with quantitative numerical data (Hesse-Biber 2010, 3).

Inductive reasoning was used for the document analysis that was carried out at the first phase of the research in order to design the research matrix; deductive reasoning as a part of summative content analysis was used at the second stage of the study.

3.2.1 Documents as subjects of study

Document analysis is one of the common methods of data collection and a mode of analysis at the same time (O'Leary 2004, 177). O'Leary (2004, 10) suggests that it is possible to explore written documents in two ways: for content or for themes. The author suggests two ways of collecting data from documents:

- The interview. It suggests that the researcher is treating each document as a respondent that provides answers to an inquiry.
- Noting occurrences. This is a quantitative technique that focuses on counting the occurrences of particular words, phrases, and concepts within a given document. This technique is also can be referred to as content analysis. (O'Leary 2004, 180.)

Further on, O'Leary (2004, 199) refers to content analysis as a strategy to analyze data, and she also separates two types of procedures: linguistic quantifications of words as units of analysis or thematic analysis through coding. However, O'Leary (2004) only considers content of documents as resource of research evidence.

With the objective to prove that documentation analysis is widely underestimated, Prior (2008) analyzed different approaches to document analysis that had been used for social research.

The researcher argued, that despite of the common opinions among the acknowledged scholars (Hodder 2000; Bryman 2004; Lee 2000; May 1997), documents shall not be studied just for their content and in isolation from the context that they were produced in. On the contrary, the author refers to the previous studies of Scott (1990), where he concluded that documents shall only serve as social scientific evidence, and it is documents' authenticity, credibility, comparability with similar documents, and the meaning of the document's content that shall be the focus of the study. (Prior 2008, 822.)

Table 2. Approaches to study of documents (Prior 2008, 825)

<i>Focus of research approach</i>	<i>Document as resource</i>	<i>Document as topic</i>
Content	(1) Approaches that focus almost entirely on what is 'in' the document.	(2) 'Archaeological' approaches that focus on how document content comes into being.
Use and function	(3) Approaches that focus on how documents are used as a resource by human actors for purposeful ends.	(4) Approaches that focus on how documents function in, and impact on, schemes of social interaction and social organization.

Prior (2008, 825) summarizes the ways in which documents have been used in studies carried out by sociologists as illustrated in Table 2. Mostly, the researches focus purely on the content of the document (Cell 1 in Table 2), and use content analysis, thematic analysis or grounded theory to study them. The focus remains on the content of the documents when researchers use the approaches from the Cell 2. The differences between the approaches is that "archeological" approaches focus on studying whether the content of a document had come true, and in the majority of cases, discourse analysis is used for that purpose.

A different perspective is used when the approaches presented in Cells 3 and 4. The approaches from Cell 3 interpret how the documents are being used by different groups of users. The approaches described in Cell 4, on the contrary, focus on the effects that documents may have on the users, which role the documents have in society. (Prior 2008, 825-826.)

3.2.2 Content analysis and summative content analysis

The earlier definitions of content analysis given by Berelson (1952, 18, in Krippendorff 2004, 19) and Laswell (1949, in Krippendorff 1989, 403) restrict content analysis to quantitative description of the content by empathizing the quantification of occurrences in question in the studied information source. Neuendorf (2002, 1) also defines content analysis as a quantitative, objective and systematic analysis of message characteristics, thus limiting it to fit under the quantitative methodology.

However, Krippendorff (2004, 16) himself argues that content analysis has recently evolved, and nowadays includes a variety of research approaches that are often referred to as qualitative approaches. Zhang and Wildemuth (2009, 318) also say that content analysis had been primarily used as a quantitative technique until recent decades, but

nowadays qualitative content analysis is used in many studies. Query et al. (in Frey & Cissna 2009, 89) likewise see content analysis in both quantitative and qualitative form. Qualitative method in content analysis emphasizes a contextual view at the body of research and goes beyond merely counting words of extracting objective content, but allows researcher “to understand social reality in a subjective but scientific manner” (Zhang & Wildemuth 2009, 319).

The difference between quantitative and qualitative approaches is that qualitative approach allows taking into account not only the content that is being studied, but also the context including the purpose of the document and other background information. Hence there is a difference in sampling techniques – since qualitative analysis by definition can be easily taken out of the context, random sampling or other probabilistic approaches are required, while qualitative content analysis allows using purposively selected research materials. The objective of the qualitative content analysis is to explore the meaning and motivation behind the text/document, in contrast to quantitative content analysis that focuses on counting recurrences of objects. Another important difference is that the result of the quantitative content analysis shall be numeric and context-free, and the outcome of the qualitative content analysis is expected to be presented in descriptions and typologies, interpreted within the context of the study. (Zhang and Wildemuth 2009, 319.)

In addition to conventional inductive content analysis that aims at condensing raw data into categories and themes, Hsieh and Shannon (2005, 1279) also define directed and summative types of content analysis. Directed approach implicates that initial coding categories derive from theory or previous studies, but during the data analysis new categories or themes emerge from the data. Summative qualitative content analysis is a study that starts with identifying and counting contextual use of words or content as an attempt to explore usage and is also known as manifest content analysis (Hsieh & Shannon 2005, 1283). However, the difference between quantitative and summative qualitative analysis is that the latter includes latent content analysis – an interpretation of content.

3.3 Data collection and data analysis

Documents were the main source of data collection at the both phases of the research, however, the data collection and analysis methods were different. At the first stage of the research document analysis was used to collect the data for designing the research matrix. The document analysis is a secondary data analysis. The downside of the secondary data analysis is that it is subject to two potential sources of bias – the bias of the author of the documents and the bias of the secondary data researcher (O’Leary 2004, 178). It is

essential to understand the purpose of the documents that were used as data sources in order to understand the bias of the author. On the other hand, the bias of the secondary data researcher exists within every method of qualitative research, as how data is extracted from texts and interpreted is affected by the context of the research.

Qualitative thematic analysis was used as a method for the first part of the study; and inductive reasoning was used to generate a conceptual framework of what an annual report should include and how it should be produced (in terms of timing, format, credibility) from the number of studied documents.

Kerlinger (1986, in Prasad 2008, 2) suggested that content analysis is a method of studying and analyzing communication in a systematic, objective and quantifiable manner for the purpose of measuring variables. At the second phase of the research, content analysis of the sample annual reports was carried out using the variables generated at the first stage of the research. Each annual report 2015 produced by the companies of the sample was measured across the variables included into research matrix. Instead of solely quantifying the results of the research, the results for each company were benchmarked to other companies of the sample. In many cases, the sample reports were also compared with the previously and consequently issued reports.

The purpose of the research was not to grade each sample company for their corporate reporting practices, but to identify the weaknesses in annual reporting practices in Finland and list universal recommendations for producing annual reports that are aiming at fulfilling the needs and expectations of investors and shareholders of the company, thus positively impacting corporate reputation.

3.3.1 Data sources used for developing research matrix

A great variety of sources was studied in order to select a purposeful database of the documents to be used for thematic analysis at the first stage of the research.

After thorough considerations, following documents were used as the major data sources for thematic analysis that was carried out in order to develop the research matrix:

1. Publications by British Association of Chartered Accountants (ACCA)
 - a. Narrative reporting: Analysts' perceptions of its value and relevance (2008)
 - b. Accountancy futures. Re-assessing the value of corporate reporting (2012)
 - c. Understanding investors: the changing landscape (2013)
 - d. Understanding investors: directions for corporate reporting (2013)

- e. Understanding investors: the road to real-time reporting (2013)
 - f. Understanding Investors: the changing corporate perspective (2014)
 - g. Meeting users' information needs: The use and usefulness of Integrated Reporting (2016)
- 2. Video and publications by National Investor Relations Institute (NIRI), the USA
 - a. Overview of NIRI Annual Report Survey (2015) by Investor magazine
 - b. NIRI National s.a. Video interview "IR Today: Annual Reports – Trend & Innovations" (year of publication: 2013)
- 3. Publications by International Integrated Reporting Council (IIRC)
 - a. International Integrated Reporting Framework
- 4. Publications by Global Reporting Initiative
 - a. GRI G4 reporting principles and standard disclosure
 - b. Integrated Reporting. October to December 2011. Monthly report (2012)
- 5. Publications by the Big Four companies:
 - a. PwC: Corporate Reporting: is it what investment professionals expect? (2007)
 - b. PwC: Corporate Performance: What do investors want to know? (2014)
 - c. Deloitte
 - i. Annual report Insights 2015. Building a better report
 - ii. Annual report insights 2016. A clean vision
 - d. KPMG
 - i. The KPMG survey of business reporting (2014)
 - e. EY (Ernst&Young)
 - i. Value of sustainability reporting (2016)
 - ii. Integrated reporting. Linking strategy, purpose and value (2016)
 - iii. Tomorrow's investment rules: global survey of institutional investors on non-financial performance (2014)
 - iv. Annual Reporting in 2014: reflections on the past, direction for future
 - v. Annual Reporting in 2015: evolving communication in a changing world
- 6. Other sources
 - a. Financial Reporting Lab. 2015. Digital present: Current use of digital media in corporate reporting. Financial Reporting Council Limited. London.
 - b. Brearey, C.H. 2008. Investor views of financial reporting: recent evidence of the expectation gap. Case Western University.
 - c. Hoffman, C. and Fieseler, F. 2012. Investor relations beyond financials. Corporate Communications: An International Journal. 17, 2, pp. 138-155.

Since those sources do not provide relevant information regarding the digital technologies that can be used to enhance annual reporting for companies, additional sources were studied to establish variables for this part of the research. The important web design trends and solutions that facilitate navigation through online annual reports were established basing on the online articles by a number of leading web design agencies: Tangelo Software, 1stwebdesigner, Moveable online, and Awwards.

3.3.2 Sampling for the second phase of the research

The main sample of the study consisted of annual reports for the year of 2015 of 25 companies that constituted a stock index for Helsinki Stock Exchange (OMXH25) in the spring

2016. The market value weighted index consists of the 25 most traded stock classes. Considering that according to Desmond (2000, 170) and Brag (2010, 75) the primary constituencies of annual reports shall be the investors, the annual reports of the most traded public companies shall be proper examples of the best practices and tendencies of corporate reporting practices at the selected market. Considering that, it can be assumed that the needs and expectations of the investors are met and fulfilled the most in annual reports that are produced by the top traded companies.

At the time of the research, the OMXH25 index was made up basing on the stock performance of shares (or one type of share, if a company has several types traded) of the following companies:

1. Amer Sports
2. Cargotec
3. Elisa
4. Fortum
5. Huhtamäki
6. Kemira
7. Kesko
8. Kone
9. Konecranes
10. Metso
11. Neste Corporation
12. Nokia
13. Nokian Tyres
14. Nordea Bank AB
15. Orion
16. Outokumpu
17. Outotec
18. Sampo Group
19. Stora-Enso AB
20. TeliaSonera
21. Tieto Corporation
22. UPM-Kymmene
23. Valmet
24. Wärtsilä Abp
25. YIT

In order to trace the trends changing over time, annual reports of the sample companies for the previous and consequent years were studied as well, even though not as thoroughly.

3.4 Validity and reliability

The quality of a research can generally be evaluated basing on such criterion as validity and reliability (Daymon & Holloway 2002, 88). However, these terms generally imply subjectivity and thus are completely applicable only to quantitative studies. This research was carried out using mixed research methods. Daymon and Holloway (2002, 88) suggest other quality criterion that would be applicable to both quantitative and qualitative studies: authenticity and trustworthiness.

Authenticity of the study can be achieved by providing fair and undistorted findings that can be helpful for finding a solution for the research problem. Trustworthiness is assessed basing on credibility, transferability, dependability and confirmability of the results. (Daymon & Holloway 2002, 93.)

The quantitative part of this research (analysis of the sample annual reports) was carried out very carefully, and the variables were measured with high attention to details. For the accuracy of the results, in the majority of cases, the scale was not limited to "1" and "0", as to show whether the topic was covered in an annual report or not, but an intermediate value of "0,5" was used in order to reflect the degree of how well the topic was covered in each annual report of the sample. The research helped to identify plenty of room for improvement in many of the sample reports, and thus is helpful for solving the research problem.

The results of the study are transferable, since the research matrix that was developed as a part of research can serve as a useful tool to analyse any annual report. The results of the study turned out very different from what was originally expected, and the findings and final recommendations are based solely on the results of the research, with no effect of the previous assumptions of the author, which makes the results confirmable.

There were several strategies used to ensure credibility and quality of the research. Firstly, the study was expanded into longitudinal research, as the annual reports 2016 of the sample companies were also carefully studied, and the key conclusions from studying the annual reports 2015 (especially concerning the new trends) were tested once again.

Moreover, the reporting practices of the sample companies in previous years were also taken into consideration and in some cases even referred to in this paper. Secondly, data triangulation was used at the first stage of the research for identifying the expectations of the investors and shareholders and global trends in annual reporting, as well as for developing the research matrix overall.

In addition, constant benchmarking to the annual reports of other companies was constantly carried out and various emerging hypotheses were tested. Even though they were left out of the scope of this thesis, they were taken into consideration when making conclusions or providing recommendations.

4 Needs and expectations of investors and shareholders towards annual reports

Fombrun (1996, in Șomacescu 2017, 177) defined reputation as a net perception of capacity of an organization to meet the expectations of all its stakeholders. At the same time, reputation is a sum of images held by four different groups of company's stakeholders: customers, employees, investors and community (Argenti 2013, 72). Organizations use different communication tools for shaping images among various stakeholders.

Annual reports are statutory documents that according to scholars (Desmond 2000, 170; Brag 2010, 75), serve as important communication tools between the management and organization's shareholders and potential investors. Thus, for corporate annual reports to be effective communication tools that contribute positively to corporate reputation, they shall meet the needs and expectations of the primary target audience and aim at shaping positive image among organizations' current and potential shareholders and investors. ACCA (2012, 4) also emphasizes the importance of considering investors' needs when developing annual reports, as the study that was carried out revealed that there existed a wide gap between the needs and expectations of the investors and the information provided by the management.

As corporate reporting is one of the essential drivers of international business markets, there has been plenty of research conducted lately on how to improve corporate reporting practices and facilitate communication between organizations and financial market representatives. The Big Four companies are deeply involved into the subject and carry out much research on the perception of the annual reports among their constituencies and how the information disclosure corresponds with the needs of target audiences.

Among recent publications on the matter, there were two surveys published by PwC (2007), an article by KPMG (2010), research carried out by Campbell & Slack (2008) and the project of the Association of Chartered Certified Accountants (UK and Ireland) "Understanding investors" (2013-2014). The results of the abovementioned studies are in line with the results of the research carried out by ACCA in 2012 and provide evidence that there is a wide gap between the needs and expectations of the constituencies and the data included into annual reports.

Firstly, the main disclosure principles are presented in this chapter. After that, the needs and expectations of investors towards annual reports that were identified during the document analysis (the complete list of data sources are listed in Appendix 1) that was carried out at the first stage of this research are introduced in detail. The preferences of investors towards both the content and the format were studied and carefully analysed; the findings are presented in this chapter.

Significant reporting frameworks that are being developed and legal implications that are crucial to consider when producing annual reports are also discussed in this chapter, as compliance with those frameworks shapes the image of the company, non-compliance with legislation has direct and immediate negative effect on corporate reputation. The thoughts of investors and shareholders regarding Integrated Reporting Framework as well as integration of managerial, financial, and sustainability reporting in general are also presented in this chapter. Lastly, the summary of findings and a list of investors' needs and expectations concludes the chapter.

4.1 Disclosure principles

Even though annual reports shall be informative and provide pertinent information to the stakeholders, the reporting shall be concise and only the material information shall be included. ACCA's longitudinal research on understanding investors (2013-2014) revealed that the investors worried that they received too much information which was just "noise" (ACCA 2013b, 15).

Hoffman and Fieseler (2011, 139) distinguish from the previously studied literature that one of the key functions of investor relations is corporate reporting. Doorley and Garcia (2011, 213) state that the cornerstone of successful IR is "the provision simultaneously of all available pertinent information". Grunig and Hunt (1984, 349) also emphasize the importance of financial information disclosure of being "factual, pertinent, and timely." In other words, credibility, materiality and timing are the cornerstones of corporate disclosure. The next subchapters are focused on application of the abovementioned crucial criteria particularly to annual reporting.

4.1.1 Materiality

The concept of materiality is used in corporate reporting to define which information is pertinent and which is not. There are many definitions of what information shall be considered

material in corporate disclosure, however the most of them agree on the following: information is being material if it may influence any decisions or actions taken by those receiving it (e.g. IFAC 2010, 314; IASB 2010, 17; GRI 2013, 7). Miller (1978, in Grunig & Hunt 1984, 349) states that the disclosed information shall have material effect on the price of the company's securities.

Corporate reports are supposed to provide shareholders, potential investors, and other representatives of financial community the essential information that they may need for making investment decisions. It is the investor relations function within an organization that is responsible for providing pertinent information to external audiences.

Hoffman and Fieseler (2012, 139) empathize that it is not only the financial information that affects financial decision-making process, and that nowadays financial statements are not reflecting the real market value. The results of their research showed that the two main non-financial factors that affect financial decision-making were consistency of strategic plans and its execution and quality of communication, openness and proactive agenda setting in particular (Hoffman & Fieseler 2012, 145).

In the research by ACCA (ACCA 2013a, 15), some of the interviewed communication managers admitted that they just presented all the information that they had available in corporate disclosure, and the constituencies were supposed to pick out what is relevant for them from all the provided data by themselves. At the same time, previous studies by ACCA showed that 47% (235 respondents) of the respondents of the study "Re-assessing the value of corporate reporting" considered modern annual reports to be too long, 40% (200 respondents) of respondents considered annual reports too general to meet their needs, and 35% (175 respondents) considered its content to be too past-oriented (ACCA 2012, 4). The same research indicated that almost half of the respondents think that annual reports contain too much of marketing and promotional material (ACCA 2012, 9). The results of these two studies clearly indicate, that many companies include too much information that is not valuable for the primary target audience of annual reports - the investors.

Brearey (2008, 17) also concluded from the research that he had carried out, that investors find modern-day annual reports to be too complex and containing too much of irrelevant information.

According to a report by Deloitte (2015a, 2) growing length of annual reports (average length of annual reports in the UK grew from 86 pages to 135 during within 9 years) is one of the four key trends in annual reporting, even though the primary target audience (investors and shareholders) already consider annual reports to be too long (ACCA 2012, 4).

Understanding the needs of those whom information is targeted at would help to filter and limit the amount of information disclosed whilst providing the stakeholders with the data that they need. According to the report produced by ACCA, investors shall be positioned as the main important audience and engaged into production process (ACCA 2012, 5). Simo Honkanen, SVP, Sustainability and Public Affairs at Neste, during a panel discussion "Perspectives on credible non-financial and integrated reporting" (Honkanen 9 March 2017) empathized the importance of holding a constant dialogue with the investors and identifying together material topics that a company shall report upon. The content of the annual reports can be adjusted basing on the feedback from the shareholders.

The concept of materiality is also among the key principles of Integrated Reporting framework (<IR>) that is discussed in subchapter 4.6. According to the framework, in order to keep annual reports concise, one of the preparation principles shall be to report only the most relevant information and to justify the selection of the information in the report.

Subchapter 4.2 is focused on the topics and information that investors and shareholders consider as material and would like to see covered (or covered more) in annual reports.

4.1.2 Credibility and reliability

As mentioned in the research by ACCA (2013a, 9), nowadays there are plenty of online information sources available for investors in addition to the more traditional ones. Business information landscape is more complex than ever, and analysts and investors make their decisions based on the data received from multiple sources. The results of the research showed that even though 2/3 of the interviewees admitted that annual reports are among the most valuable sources of information that were available, 63% of the respondents (private and institutional investors) said that they found information that is generated outside of the company more trustworthy. The research also indicates, that the tendency not to trust the information disclosed directly by the companies and to seek information from other sources in order to obtain as complete picture of company's operations as possible has grown after the beginning of financial crises. (ACCA 2013a, 9-10.)

European legislation (and legislation of the most countries) requires the statutory part of annual reports to be externally audited, thus making it the most credible source of information among other corporate disclosure. On the other hand, non-statutory part of the report, including accounting narratives and Corporate Social Responsibility (CSR) reporting, is more flexible in terms of content and context and thus allows some possibilities for using annual reports as impression management tools, as argued by Stanton and Stanton (2004), Clatworthy and Jones (2003), and Schleicher and Walker (2010).

To increase the credibility of annual reports, nowadays many companies have their non-financial disclosure externally assured either by financial auditors or by external sustainability experts. The scope of such assurance varies from ensuring congruence between different versions of the reports (e.g. reports produced in different languages) to numerical stability throughout various chapters of the report. In many cases, the compliance with the requirements of a reporting framework is being assured (e.g. compliance with the framework on sustainability reporting by Global Reporting Initiative GRI G4/ GRI standards).

The difference between credibility and reliability is that the concept of credibility is used to define something that can be believed as true, whilst reliability signifies whether someone or something can be trusted. Fung (2014, 74) point out throughout his article that corporate disclosure shall be reliable. Other researches also use the concept of “reliability” when describing the information needs and expectations of investors towards corporate disclosure (Alattar & Al-Khater 2008; Arvidsson 2011).

4.1.3 Timing

Annual reporting is different from other corporate disclosure procedures, as annual results are not being disclosed immediately; since annual financial results shall be externally audited, at least some time is required for the auditors to assure financial statements

A separate research of the Association of Chartered Certified Accountants was implemented to study the trends in the speed of both internal and external financial reporting. The financial society is also subject to the common trend of short-termism (ACCA 2013b, 7), the concept of “real-time reporting” has been used to describe disclosure of updated income statements, balance sheets, and cash flow in a continuous manner rather than at set time intervals.

The results of the research indicated that the investors consider real-time reporting as a tool to improve their ability to quickly react to market changes, increase market liquidity and enhance the investment returns and generally see good timing as a critical element of a good corporate annual report. On the other hand, the real-time data availability would only stimulate the short-term orientation of the participants of financial markets, and the short-term orientation could potentially cause market instability and increased price volatility.

Short-termism (also known as myopic behaviour) in financial markets means that the long-term business objectives are being neglected for the sake of reaching short-term goals. Short-termism in business results in companies investing too little tangible and intangible resources into development. (Kay, 2012, 9-14.) According to Olesiński et al. (2014, 1), short-termism in financial markets causes decrease in company's competitiveness, overall increases the risks and reduces the long-term potential of the entire economy.

Another important aspect is that there always exists a dilemma of timing vs. quality: fast, close to real time information will always be less precise and accurate than audited reports.

As for issuing annual reports in particular, ACCA's report "Understanding Investors: the road to real-time reporting" (ACCA 2013c, 10) stresses the following paradox: the time period during which a company prepares its annual report has no correlation with the size of the company; on the contrary, the fastest to finalize their financial reporting are some of the large corporations. Some of the researchers (ACCA 2013c, 10) suggest that the ultimate time frame to prepare and issue an annual report is 10-15 working days. This period should be enough to ensure the accuracy of the data, whilst within this term the information remains fresh, relevant and valuable.

However, according to the paper by Federation of European Accountants (2015, 40), there is always a need for a periodic pause for assessment of the financial and non-financial performance over a specific time period, and some information cannot necessarily be presented on a real-time basis.

Proper timing in preparing financial reports is important not only from the legal compliance perspective, but it is also a significant factor in terms of managing company reputation among investors and shareholders. The ability of the company management to close the

accounts within a rather short period of time is seen by the investors and financial community as indicators of strong management, control over internal processes and well-established transparent corporate governance mechanisms (ACCA 2013c, 11). Quick and correct preparation of the books also assists in the interactions and establishing trust with the authorities. External stakeholders value transparency in corporate communication (Fung 2014, 74).

4.1.4 Linkage between elements

That linkage between elements in annual reports is an important factor, as it would allow the readers to understand and estimate the potential of an organization and its impact on the society and environment as a whole (Deloitte 2015b, 24).

A survey that was carried out by PwC among investment professionals revealed that 87% of respondents considered clear linkage between strategic goals, KPIs, and financial statements as helpful for analysis; and 75% of respondents would like to see a clear linkage between KPIs and remuneration policies (PwC 2014, 15).

4.1.5 Consistency and comparability

Bragg (2010) especially emphasized the importance of consistency and continuity of annual reports. There shall be internal consistency: the primary investment value shall be presented to investors and projections, strategies, highlighted achievements throughout the whole report shall be easy to track back to the underlying message (Bragg 2010, 75).

Moreover, it is suggested that annual reports issued for consequent years by the same company shall also demonstrate continuity: issues raised in the previous year's report shall be revisited; same metrics shall be used from one year to another, the objectives that were set in previous years shall be reported upon in the consequent reports (even in the cases when the set objectives were not met), etc. (Brag 2010, 75).

Fung (2014, 74) also emphasizes that investors and creditors expect corporate reporting to be consistent and comparable (as well as reliable and transparent).

A study carried out by Financial Reporting Lab revealed that consistency in terminology throughout the reports from year to year is generally favoured by investors (Financial Reporting Lab 2015, 10).

4.1.6 Future-orientation of the narratives and strategic insights

One of the purposes of annual reports and financial reporting in general is to provide shareholders and investors with the information needed in making economic decisions (Brearey 2008, 4). According to Brearey (2008, 7), there are two main reasons for growing volumes and importance of narrative disclosure: in addition to the constantly growing importance of intangible assets, past performance has become a less useful guide for future prospects due to the rapid pace of changes in business. The results of the research that was carried out by Brearey (2008, 30) indicate that “more discussion about future” was among the most desired improvements for voluntary disclosure by investors.

The findings of Brearey were supported in other data sources. As mentioned in the interview with the Maureen Wolff, President and Partner of Sharon Merrill Associates to Jeff Morgan, president and CEO of National Investor Relations Institute (NIRI National s. a.), the content of annual reports should differ from the content communicated through other channels that companies use to disclose financial information by providing strategic plans and outlook for at least three to five years ahead. According to an interview with Mrs. Wolff (NIRI National s. a.), the core advantage of annual reports, its main difference from all the other materials that a company publishes, is that they are supposed to provide an insight into strategic information: which direction a company is going to, what are the long-term goals and how the management is planning to achieve those.

The research by Brearey (2008, 18) also revealed that strategic information related to KPIs, future risks, value drivers disclosure and forward-looking analysis of company and sector top the list of valuable narrative disclosures for investors. As illustrated in Figure 3, the results of ACCA’s research (2012, 10) are consistent with Brearey’s findings.

Other studied documents also provided evidence of future-oriented strategic information being of high importance and interest for investors (Hoffman & Fieseler 2012, 145; EY 2014; PwC 2007, 21).

4.2 Content of voluntary disclosure

The research implemented by ACCA (2013a) and research by Alattar and Al-Khaled (2007, 318) indicated, that investors and shareholders consider statutory elements of annual reports that disclose financial information to be of the highest importance: Balance sheet, Cash flow statements and Income Statement. As explained referring to previous research, auditor’s report’s high importance is typical for developing countries, whilst other

highly-ranked parts (that are mentioned in the previous sentence) of annual reports are typical for both developed and developing economies (Alattar & Al-Khaled 2007, 317). Those elements of annual reports are statutory and are prepared in strict compliance with reporting framework (in Finland it is International Financial Reporting Standards, often referred to as IFRS). However, as it was mentioned in subchapter 1.5, the statutory section of annual report is out of scope of this research.

On the other hand, as argued by Hoffman and Fieseler (2012, 139) with the reference to the previous studies (Shiller 2000; Baruch Lev 2001, Kiernan 2005; Gabbioneta et al. 2007), capital market participants consider a wide range of non-financial factors when analysing a company. Beattie and Pratt (2002; in Brearey 2008, 8) also argue that it is both financial and non-financial information that investors analyse when making investments decisions. It is argued, that financial metrics are indicators of past performance, whilst non-financial disclosure may provide insights regarding potential future success (Hoffman & Fieseler 2012, 139). A survey by EY (2014, 1) also found clear evidence of investors using non-financial information to assess investments and evaluate current holdings.

The analysis of data listed in Appendix 1 and some additional sources revealed that investors would like to have covered in annual reports the following topics:

1. Key (future) risks and their management (ACCA 2012, 10; ACCA 2013a, 17; Brearey 2008, 18)
2. Future plans and prospects, clear strategy defined, KPI (ACCA 2012, 10; NIRI National s.a.; Hoffman & Fieseler 2012, 145; EY 2014; PwC 2007, 21; Brearey 2008, 18)
3. Information about management (PwC 2007, 21; NIRI National s. a.)
4. Corporate governance procedures (ACCA 2012, 10; ACCA 2013a 17)

The elements that would require improvements in the opinion of the respondents of ACCA's research (ACCA 2013a, 16) are business risks that cannot be reflected (or can be intentionally omitted) in the financial statements, potential growth opportunities and long-term expectations for business development. Just as it was mentioned in the interview of Maureen Wolff (NIRI National s. a.), the investors want to get a clear picture of where the management is steering the company in the upcoming future and how they are going to cope with the difficulties that might arise.

The respondents of ACCA's survey (2012, 10) were the most interested in key risks and their mitigation (71% of respondents), future plans and prospects (63%) and key performance indicators (59%). Financial statements were only fourth in the list of the areas of the most interesting topics among the corporate reporting constituencies (chosen by 58% of respondents) as illustrated in Figure 4. (ACCA, 2012, 10.)

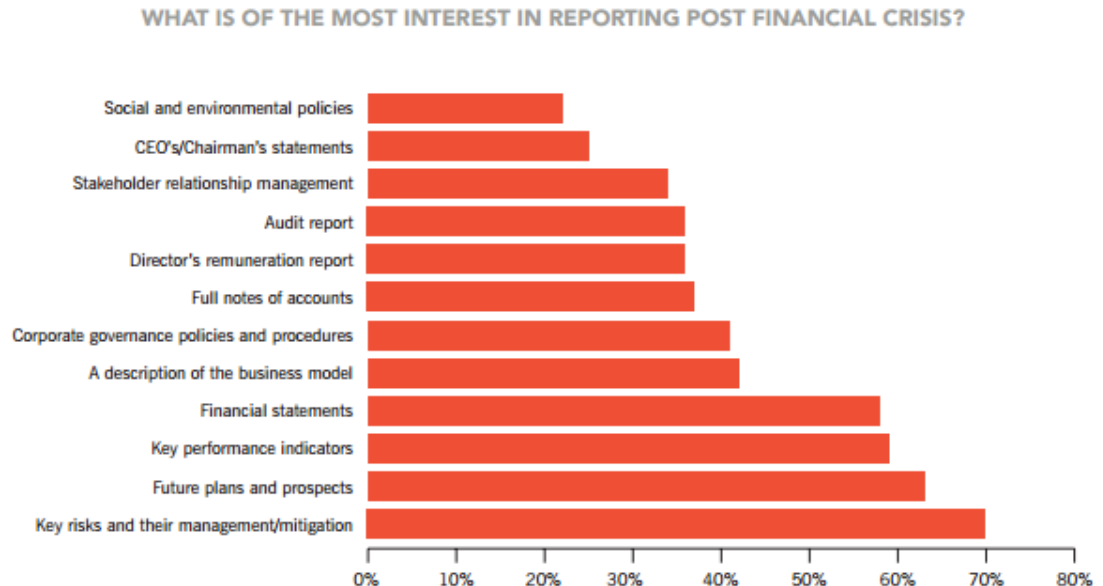


Figure 4. The areas of the most interest for corporate reporting constituencies according to research implemented by ACCA (2012, 10)

As it can be observed from Figure 4, the respondents were the most interested in companies reporting key risks and their mitigation, future plans and prospects, key performance indicators and financial statements. It is noteworthy that CEO's/Chairman's statement was not among the top answers, which contradicts with the research implemented by Bournois and Point - the researchers had been studying CEO's letters and statements in corporate reporting with various purposes for over 30 years, considering it to be an element of strategic importance (Bornois & Point 2006, 53).

At the same time, Campbell and Slack carried out a research among market analysts and found out that there is a prevailing level of scepticism at least among the analysts towards the value and the content of CEOs' and Chairmen's letters (Campbell & Slack 2008, 19). The reason for that is that unless there is some strategic content provided in those letters, the interviewees often used the word "useless" towards the letters, especially towards the Chairman's letter. CEO's letters are considered to provide more useful information though. One of their research respondents admitted that the CEO's review is the part of the report

where one can find out about organizations' failures, and that could be quite relevant information. At the same time, the reviews of CEOs are perceived as more valuable, as they include forward-looking information (Campbell & Slack 2008, pp. 5,19-20.) It can be assumed, that the low interest of investors in Chairman/CEO letters is predetermined by the same factors.

On the other hand, basing on the abovementioned and on the interest of investors in future plans and prospects, it can be assumed that Chairman/CEO letters would be of more interest for the primary target audience of annual reports if they included more of future-oriented information instead of solely an overview of past results.

4.3 Sustainability reporting

Sustainability or Corporate Social Responsibility (CSR) reporting is not mandatory for the majority of companies in the European Union and the USA (as in 2015-2016). Nevertheless, 93% of global companies reported on CSR already in 2011 (KPMG 2013, 22). Since there are no strict legal requirements, corporations disclose CSR information selectively and in its own manner. There is a significant range of terminology that companies use for corporate responsibility reporting. According to KPMG (2013, 6), the most commonly used terminology is "sustainability" (43% of the surveyed reports) and "CSR" (25% of the surveyed reports). Corporate sustainability and sustainable development are other options that companies use to refer to their reports.

It is commonly agreed by researchers that sustainability reporting helps to reduce information asymmetry between companies and stock market participants (Arvidsson 2011; Cormier et al. 2011,1276). CSR disclosure encompasses social, economic and environmental sustainability performance (Cormier et al. 2011, 1277; EY 2014, 1).

Many companies issue CSR reports separately from annual reports (or financial statements), and quite often the former ones are issued later than the financial reports. As there are no strict legislation requirements towards the timing, format, and content, quite often sustainability reports are issued 3-6 months after the end of the reporting year.

Other companies include brief CSR information into annual reports, and in addition to that, produce separate CSR reports (usually those are issued quite late, mid-spring – mid-summer) that contain more detailed information across various topics. Storytelling and case studies are the two techniques that are quite commonly used in CSR reports.

The last category consists of the companies that only include CSR reporting into the content of their corporate annual reports. The extent to which information is presented varies significantly from company to company.

All in all, despite the growth and development of sustainability disclosure, its relevancy and ability to fulfill the information needs of various stakeholder groups remains an open question (Cormier et al. 2011, 1277; Verbeeten et al. 2006, 1360).

4.3.1 Sustainability reporting frameworks

The most acknowledged sustainability reporting frameworks are the guidelines developed by Global Reporting Initiative (GRI), ISO 26000 standards, and guidelines of International Integrated Reporting Council.

GRI was founded in 1997 (at that time it was known as Coalition for Environmentally Responsible Economies), and its purpose was to develop environmental reporting framework that would have facilitated and standardized environmental and social reporting and thus increase organizational transparency (Vukic 2015, 65). The 4th edition of their framework – G4 – was issued in 2013 and is widely adopted among European companies, and in Finland in particular. Despite all the criticism towards the framework, more and more companies adjust their reporting to comply with the guidelines. The currently valid version of the framework is G4 Guidelines. The new framework “GRI Standards” shall be adopted by the companies that choose to comply with the framework starting from July 2018. Subchapter 3.8.5 focuses on standardization of reporting standards in the EU, and the related frameworks and legislations are discussed in detail there.

Companies have two options to comply with GRI G4 Guidelines: “in accordance” with the Core option or “in accordance” with Comprehensive option. Comprehensive option requires much more profound disclosure (Global Reporting Initiative 2015, 16).

4.3.2 Investors’ perspective on sustainability reporting

The analysis of documents listed in Appendix 1 showed that few investors were interested in CSR disclosure through annual reports (ACCA 2012, 10; ACCA 2013a, 17; PwC 2007, 21; Hoffman & Fieseler 2012, 145). On the other hand, basing on qualitative interviews, Hoffman and Fieseler (2012, 147) concluded that social and ecological responsibility and relationship between corporations and public authorities will become more significant for investors in the future.

The results of the study that was carried out a couple of years later by Verbeeten et al. (2016,1361) suggest that investors consider the narrative CSR disclosures provided as a part of annual reports to be relevant and reliable; and, as also previously pointed out by Hoffman and Fieseler (2012, 139), the results suggest that CSR disclosures provide information that is not directly reflected in financial statements yet provides insight in the future performance of the company.

Non-financial and sustainability risks get much more attention of investors than other CSR information, and particularly in developing countries (EY 2014, 1). Sustainable business practices are also given more attention if they are subject to local regulations, as compliance with those very likely affects profitability of the company and its good relations with regulatory and supervisory authorities (Hoffman & Fieseler 2012,147).

It seems that investors do not attribute much value to sustainability reporting because there are no established practices to meaningfully compare companies' data, identify the most material issues, and link sustainability reporting with financial performance (EY 2014,1).

At the same time, a study by EY (2014, 32) revealed that investors prefer to receive non-financial information through annual reports, integrated reports (that are discussed further in subchapter 4.6) or corporate websites, where the information is presented in linkage with financial data.

4.3.3 Institutionalization of ESG and CSR Reporting in the EU

The European Union Council adopted and published Directive on the disclosure of non-financial and diversity information (2014/95/EU) in October 2014. The new regulations concern only the following types of large corporations with over 500 employees: listed companies and public-interest entities, such as banks, insurance companies and other companies that are designated by Member States because of their activities, size or number of employees (European Commission 2015).

The organizations concerned by the new directive will be required to disclose at least information on their current and upcoming risks and activities related to environmental, social and employee matters, respect for human rights, and anti-corruption activities. Whether an organization does not have policies on one or more of those matters, the non-financial statement must provide a reasonable explanation on not pursuing it.

However, there were no strict guidelines on how to report the required non-financial information developed by the time when the research part of this study was carried out (2015-2016). The European Commission proposes several frameworks that can be adapted: UN Global Conduct, OECD Guidelines, GRI G4 standards, ISO 26000. The directive allowed 2 years for member states to transpose the Directive into national legislations.

As it was mentioned in the press-release announcing the 2014/95/EU Directive, as for April 2014, fewer than 10% of the largest EU companies disclosed non-financial information regularly and consistently (European Commission 2014). The local legal acts shall come into force in all member states by 2017; however, in some countries it was implemented earlier, e.g., Denmark was the first country to adapt the Directive starting from the 1st of July 2015.

The Directive 2014/95/EU focuses on environmental and social disclosures, and can be seen only as a minor step towards integrated reporting (as discussed further in subchapter 4.6). Whether the disclosure required by the Directive is to be included to the corporate annual report or issued separately is for the issuing organization to decide.

In Finland, the Directive has come into force on January 1st 2017, and the annual reports 2017 of the large companies that have over 500 employees must comply with the new reporting requirements. In addition, companies with turnover over 40 million EUR or balance over 20 million EUR and 250 employees shall also comply with the Directive.

4.4 Formats of annual reports

This subchapter shifts from discussing the characteristics of the content and narratives of annual report to the formats in which the annual reports are published. With the development of new media and digital communications, a fair share of corporate communications has shifted to the Internet. Nowadays even the traditional communications tools such as annual report are widely distributed via corporate websites. This subchapter compares the strengths and weaknesses of different formats that are used for corporate disclosure.

4.4.1 Digital vs. print

The first web-based annual reports were the electronic versions of paper-based documents that were uploaded to companies' websites back in 1996 (Yanjie & Wan 2013, 948). Nowadays, more and more companies adopt internet-based technologies as the

main channel for corporate reporting. The benefits of this practice are ease of access, widespread diffusion, savings of costs (related to printing and distribution), and rapid comparison and analysis of data. Recent studies have proven that internet is nowadays the main mode for corporations to disclose and update financial information in a timely manner. (Boubaker et al. 2011, 127.)

In the recent years, there have been ongoing debates whether the printed annual reports are obsolete. Despite the fact that online reporting provides more opportunities to interact with stakeholders, as it allows multidimensional and interactive communication, the classic paper versions still remain relevant. According to the survey from PR Newswire & Vintage (2014, in Roach 2014), 47% of investors of all age and across different industries prefer printed annual reports. Roach (2014) explains, that the reason behind such rate is the way the investors use annual reports: only 65% of investors say they read annual reports of the company that they own when it is published (and only 60% are looking for potential investments through annual reports); instead, they keep the reports at their desks the whole year referring to it every time any information that is included into the report is needed.

Recent studies demonstrate that there had been a significant leap in the amount and quality of financial disclosure online publications: almost 100% of publicly listed companies in both developed and developing economies have their annual reports available on their websites in a PDF format (Yanjie & Wan 2013, 963-965).

4.4.2 Types of digital annual reports

At first, back in the late 90's - early 00's, the companies started converting annual reports to PDF documents and uploading those to their websites in order to facilitate access to annual reports for the readers. However, as the technologies developed, IR and PR professionals started applying newest (at that time) technological solutions to enhance the experience of reading annual reports online. Thus, first flash reader documents, and later on other formats of digital annual reports evolved. However, nowadays such reader documents that are based on flash technology are considered very outdated, since this technology is not supported in many modern operation systems.

Separate interactive websites can be developed as annual reports, and such reports can include videos, audio, interactive charts and diagrams – the features that it is not possible to add to printed annual reports. this format is known and referred to as Hypertext Markup Language (HTML) annual reports.

A rather uncommon format of online Annual Reports that can be used nowadays is applications for iPads/ iPhones and Android phones and tablets. The applications developed for smartphones are often criticized, as the size of a display is considered too small for browsing through approximately 200 pages of data (average size of an annual report in 2010). Rosenmayer (2010) claims that only a slimmed-down version would work on that kind of device, and even though nowadays the screens have grown bigger, this remark is still relevant. Tablets on the other hand could be an appropriate platform for working with annual reports.

Despite the fact that such format combines the strengths of an online report (search capability, crosslinking of content or inclusion of multi-media) with those of the print side (offline use or privacy of personal comments), the use of iPads for Annual Reporting was on its rise in 2010-2011 and then started to decrease. There are approximately 50 annual reports available in English from App Store for the accounting year 2014 (as a separate application, not as a part of IR application), and the number is almost twice less for annual reports 2015. Perhaps, it is the cost that limits the use of this format, as there is a variety of tablet devices nowadays, and it is not rational to develop an application for each type of it. The cost-benefit hypothesis implies that disclosure benefits shall exceed its costs (Bou-baker et al. 2011, 130) However, the majority of companies that have IR applications make PDF annual reports available through those applications.

All in all, following formats of digital annual reports can be specified today:

1. **Portable Document Format (PDF).** It was the first digital format of annual reports, and still remains the most popular (Message Group 2016, 38).
2. **Reader documents/flip books/macromedia.** Such formats nowadays are mostly considered outdated. They were quite popular some time ago and still can be used by some companies. Such reports are based on flash or macromedia technologies that were popular approximately a decade ago. This format allowed improved navigation and search through the document, as well as making bookmarks. The flash or macromedia technologies are not supported by all operation systems, and as a result, reader documents are not the most practical choice of annual report's format.
3. **Hypertext Markup Language (HTML) format.** A separate website or a part of corporate website designed for annual disclosure.
4. **Applications for Android or iOS.** Annual reports that are developed as separate iOS or Android applications. This format was on its rise in 2010-2011. Nowadays companies more often publish their annual reports in PDF format as a part of their Investor Relations application.
5. **Hybrid HTML/PDF format.** Usually it is a combination of voluntary disclosure in HTML format with mandatory financial disclosure in PDF, however the distribution of formats may vary.
6. **Interactive/sophisticated PDF.** A format that combines the benefits of HTML and PDF formats. It is possible to download such reports and use those online, they have clear structure and table of contents, just as the basic PDF documents, but at

the same time such documents have navigation menus, search bars, embedded hyperlinks to corporate website or YouTube channel, etc.

Nowadays, company management chooses a format of digital annual reports basing on their own needs, preferences, and budget. In many cases, multiple formats are used – e.g. PDF and HTML (it is different from hybrid, as the full version including financial statements is available in HTML format), or PDF, HTML and iOS application are produced for the same reporting year, or a hybrid report and a PDF file, that includes both statutory and non-statutory disclosure.

4.4.3 Investor's preferences towards the formats of online annual reports

Interactive HTML reports have become quite popular in Europe and the USA recently, however, according to the research that was carried out by Financial Reporting Lab under the supervision of Financial Reporting Council (UK) in 2015, a minority of companies produces HTML or hybrid reports. The preferred format of producing online annual reports for the majority of companies remains PDF. Due to its structure and overall resemblance of the hard copy, it can be considered as a substitute to a classic printed annual report. (Financial Reporting Lab 2015, 6.)

The research by Financial Reporting Lab (2015) was focused on the investor's perspective towards technologies used for corporate reporting. The study that had been conducted revealed that among different online formats, PDF is the format that is preferred by investors the most. Figure 5 illustrates the qualities that investors and shareholders wish to see in annual reports, and how PDF reports combine all of those qualities.

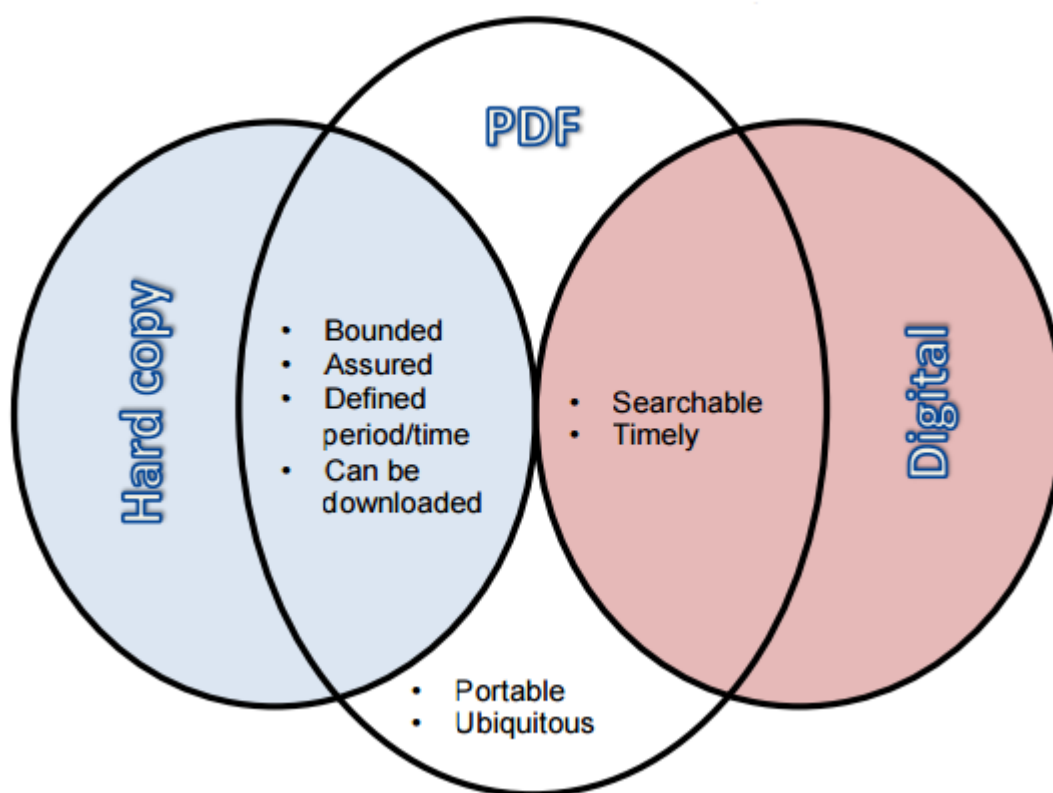


Figure 5. Qualities that investors value in PDF annual reports. Adapted from Financial Reporting Lab (2015, 7)

As it can be seen from Figure 5, investors prefer annual reports that have clear boundaries and defined scope; that are externally assured (including non-statutory section); that provide confidence that the information in the report represents the situations during the defined period of time and does not change; and that provide easy downloading and printing options.

Investors also prefer reports that are “searchable” – the text is recognized if it is a PDF file or there is a search bar if it is an HTML report. Investors appreciate timely information – when an annual report is published on corporate website, one can access it immediately without the need for waiting for your hard copy to arrive by post. The two unique features of PDF format that are valuable for the end users of annual reports are portability – PDF annual reports can be easily accessed from the most electronic devices that are in use nowadays – and omnipresence. Since the format is so widely adopted, stakeholders can use the same tools and methods to analyse information that the reports of different companies contain. (Financial Reporting Lab 2015, 7.)

Interestingly enough, the research also emphasizes that investors want the most plain and basic PDF annual reports, and “searchability” is the only criteria that they have towards the reports’ functionality. Consistency in terminology throughout the reports from year to year and producing one single report instead of multiple several documents are considered as optimization for smooth searching. (Financial Reporting Lab 2015, 10.)

Investors want the reports to be plain, simple and comparable to each other. Important nuance is that the report shall be easy to print out, and that the figures would still be easy to read when printed out in black and white. Some companies even started to produce two PDF versions of annual reports – a general one and a simplified one in black and white (Financial Reporting Lab 2015, 10.)

Among other recommendations for producing PDF annual reports that were provided, there were two very valuable ones: using landscape orientation that fits better the computer screens instead of portrait orientation that was traditionally mostly used for printed annual reports (Financial Reporting Lab 2015, 9), and creating side bar navigation menus, bookmarks and internal hyperlinks (Financial Reporting Lab 2015, 8).

4.5 Noteworthy techniques and design solutions in online annual reporting

This subchapter focuses on the features of HTML annual reports that can be applied to online annual reports in order to enhance user experience. User experience is a concept that is widely used in web design and interaction design disciplines and encompasses better usability, accessibility and overall pleasure provided to users (readers) through the interaction with a website.

A concept of usability is defined by International Standards Organization (ISO) as an extent to which a product can be used by specified users to achieve specified goals with effectiveness, efficiency and satisfaction in a specified context of use. The concept encompasses, among other, such factors as intuitive navigation, efficiency of use, and subjective satisfaction – overall, whether the user enjoys using the system or website. Even though previously usability had been mainly studied from an information technology perspective and itself it adds no value, when it comes to quality of strategic communications through websites, it becomes a critical issue for enhancing communications with stakeholders (Garcia et al. 2017, 141).

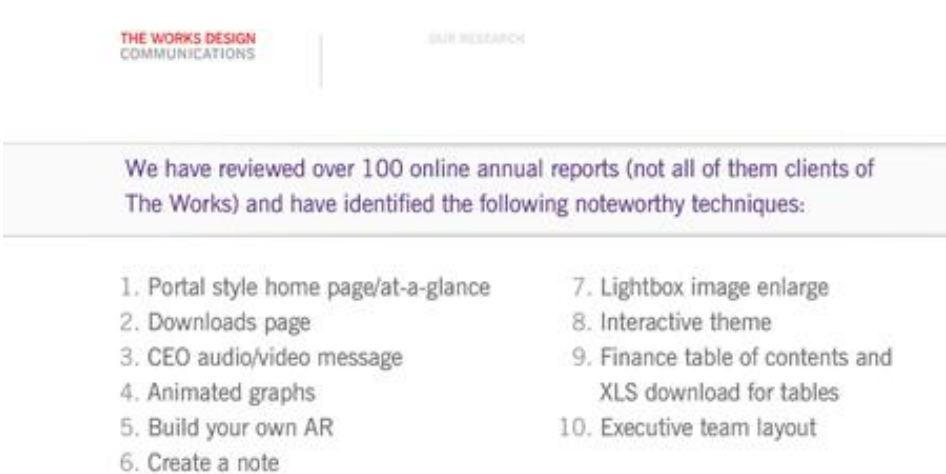
The concept of user experience is going to be used in this paper in different contexts, since the companies producing online HTML (or hybrid) annual reports have to make sure

that the readers of such documents can easily access the information they are looking for and navigate between the chapters. Unlike traditional magazine annual reports or PDF annual reports, in the majority of cases, HTML annual reports do not have a clear structure or a table of contents. Due to the large amounts of data, such HTML reports tend to have complex multi-level menus. Smart visual design and simple information architecture, clear structure, organization and labelling make it easier for the readers to navigate through the reports. As it was discussed in the previous subchapter 4.4.3, investors want to work with concise, well-structured annual reports that are “searchable” and it is easy to access specific information. As quoted in the research by Financial Reporting Lab, shareholders and investors want to access “information they want” rather than “which distracts” (Financial Reporting Lab 2015, 19).

Even though web design study does not fall into the scope of this study, some of the noticeable trends that facilitate navigation, enhance “searchability” and provide possibility to operate the data are presented in this subchapter. In addition, several examples of skilful application of such trends are given throughout the paper.

4.5.1 Techniques used in HTML annual reports

As it has been described in subchapter 4.4.2, HTML annual reports have evolved from simple reader documents along with overall developments in internet media design. A very informative presentation by the digital communication solutions provider The Works Design Communications (2009) summarized key useful techniques that can enhance user experience from online annual reports. The techniques suggested by them are presented in Picture 1.



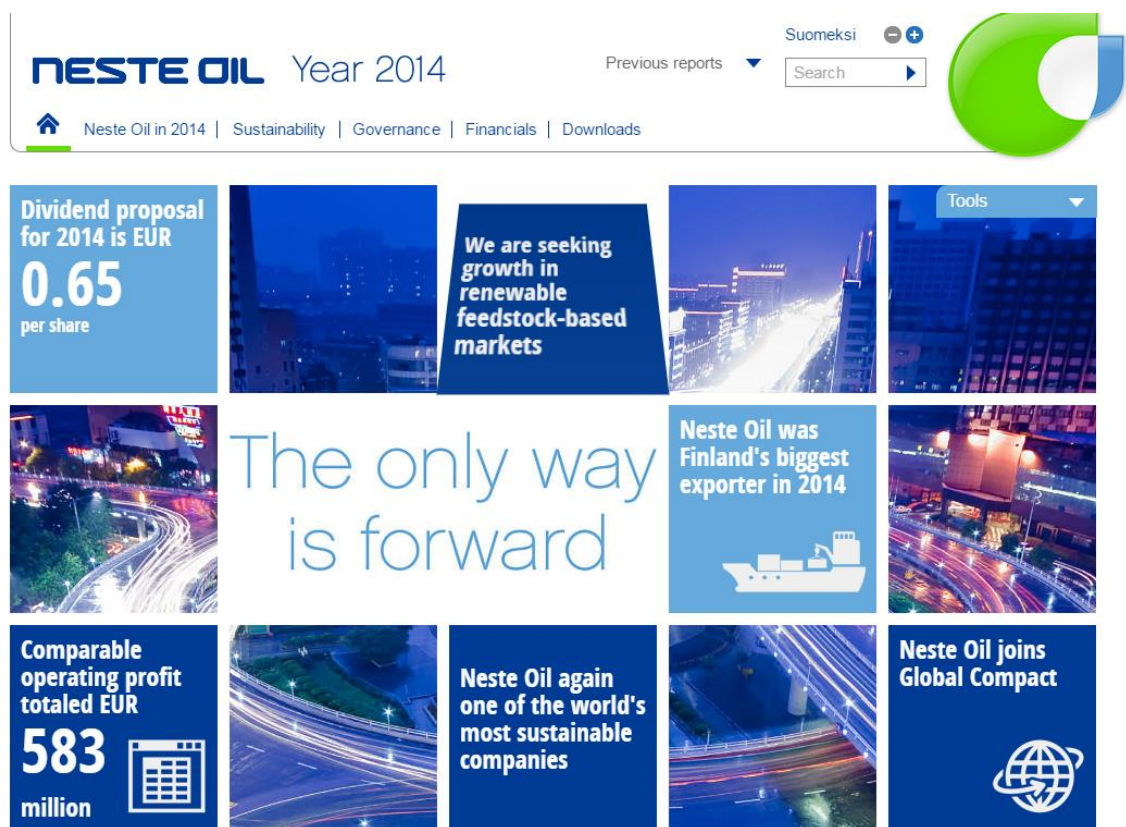
Picture 1. Noteworthy techniques in annual reports (The Works Design Communication 2009)

As the technologies nowadays develop very rapidly, there are already newer technological solutions available in 2016. However, the majority of the techniques listed in Picture 1 still remain relevant as prerequisites of a user-friendly online annual report.

Some of the trends, such as Executive team layout (#10) or downloads page (#2) are featured in the majority of the HTML annual reports internationally. A link to Downloads page is usually located in the main navigation menu so it is easy to notice. In most cases, a user can choose which parts of the report he/she would like to download. Some companies offer a possibility of downloading financial statements in XLS format (#9), and this simplifies extracting pieces of information for processing and analysis.

Executive team layout (#10) usually is a web page with the photos and brief information about the executives. In order to make an annual report even more engaging and to “personalize” the management even more, as the technologies nowadays allow, the letters of CEO can be presented in a video format (#3).

A portal style homepage (#1) means that the main page has links to the key topics of the report. An example of such website is demonstrated in Picture 2.



Picture 2. Portal style home page of Neste Oil Annual Report 2014 (Neste 2015)

The possibility of tailoring annual reports and customizing them is considered very important among the designers. Building personalized annual report (#5) allows combining different pages that a user is interested in into a separate custom-made PDF report. However, more recent study by the Financial Reporting Lab (2015, 19) revealed that 75% of the respondents admitted they never used that function. Making notes (#6) allows highlighting important information and makes it easier to analyze the data.

Other designer solutions, such as animated graphs (#4) and interactive themes (#8) are being incorporated to HTML annual reports to engage users. Using lightbox image enlarge (#7) allows zooming in and out graphs, charts and images, which is always beneficial, as on one hand, an image does not take much space and it is easy to integrate it into any web page, and on the other hand, one can zoom it in and see all the details. However, the downside of using such technologies is that the images turn out too small when printed out.

However, not all of the techniques that enhance user experience from the designers' perspective are the features that are desired by investors nowadays (who, as it was discussed, prefer simple, well-structured, "searchable", and comparable disclosure). As it was revealed during the research by Financial Reporting Lab, nowadays possibility of creating own annual report is not needed, as internet connections are so fast and so cheap nowadays, and investors prefer to work with a complete comprehensive report so no valuable information would be missed out during their analysis. (Financial Reporting Lab 2015, 7-10.)

Interactive themes and animated graphs also can be seen rather as a disadvantage by investors and shareholders, as they contradict the need for simplicity and conciseness. Possibilities of enlarging images and creating notes also do not provide much value if the investors prefer working with printed out document, as it was found out by Financial Reporting Lab (2015, 7).

Videos with CEO reviews are also not favoured by investors much unless there is a transcript of the speech available (Financial Reporting Lab 2015, 4), however more than a half of respondents admitted that they did watch those (Financial Reporting Lab 2015, 14). Despite the skepticism, the respondents admitted that the body language and presentation style that can be observed from the videos can complement the verbal information that is being disclosed (Financial Reporting Lab 2015, 14).

The other three techniques – executive team’s layout, financial statements available for download in Excel format and portal style homepage provide additional features that would be appreciated by investors and shareholders. Executive team’s layout does add value, especially if some additional background information about the top management is provided (as defined in subchapter 4.2, information about management is of high interest to investors (PwC 2007, 21). Possibility to download financial statements in Excel format also adds value, as it allows to extract and compare data. Portal style homepage is important, as it facilitates navigation throughout the report.

4.5.2 Design solutions used in HTML annual reports

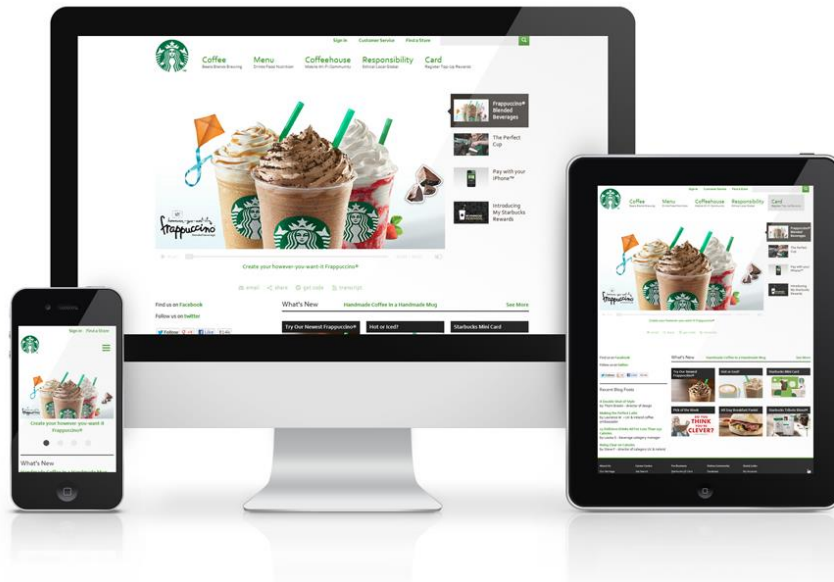
The trends in web design appear and develop rapidly. Some of those remain relevant for a longer period of time, others fade away at the same quick pace as the new ones appear. It is such a fluid and changing environment that no relevant books or scholar articles are available on the subject – the trends change before those could be published. For this reason, the blog posts and short articles from online magazines were analyzed to identify the key web design applied to online annual reports 2014-2016. As a summary of articles from leading global web design agencies - Tangelo Software (2016), 1stwebdesigner (2016), Moveable online (2015), Awwards (2015) - there were following trends in online annual reporting design identified for the years 2015-2016:

1. Responsive and mobile friendly design
2. Explicit usage of video (also as a background)
3. Intuitive navigation
4. Large background images
5. Flat design
6. Infographics
7. Parallax scrolling
8. Using own photos instead of stock images
9. Using a timeline framework

The main purpose of the trending design techniques is to enhance the user experience, make the browsing process easier and more pleasant and reduces time that is required to find specific information. The most exceptional design solutions even encourage users to share their experience through social media channels. Quite often the trends are used in combination with each other.

Responsive Design has been in use for over a decade. The first responsive website was launched by Audi in 2001. Currently it is considered an essential quality of a professionally executed website. The trend appeared due to the growing usage of mobile devices for

data browsing. The main principle is to make a webpage adjust to different display sizes – from 24” monitors of desktop computers to small smartphone screens – and to provide an optimal viewing and interaction experience across all ranges of the devices. Picture 3 illustrates an example how the same web page looks on three different devices.



Picture 3. Illustration of responsive web design

Responsive webpages facilitate reading and navigation by minimizing resizing, scrolling and panning and significantly improve user experience. Nowadays it is a common practice for corporate websites and annual reports.

Extensive usage of **video materials** (also as a background) has been a common growing trend for internet resources for the last couple of years, ever since the technology has made it possible. Video is quite commonly used in annual reporting, in particular for communicating CEO message. However, as indicated in the report by Financial Reporting Lab (2015, 14), even though company participants see videos and animation as providing useful and rich content, investors are often quite cynical towards such materials and consider those to be “sales pitches”. Nevertheless, the same research indicated that 52% of respondents (investors) do watch video materials (Financial Reporting Lab 2015, 14).

Picture 4 illustrates how videos can be integrated into annual reports. Using video technology for presenting CEO review allows conveying the message not only through words and intonations, but also to visualize the content and accent the important information with images. As an example, there is not only CEO of Elisa Veli-Matti Mattila in the video recording of the CEO’s Review 2015, but the key messages are also accented through images

and texts. Another popular trend is to use video instead of background images, or simply to use large images as a background.



Picture 4. Screenshot from Elisa's CEO Review (Elisa annual report 2015)

The concepts of **intuitive design** or **intuitive navigation** for websites is difficult to illustrate with any specific examples. It is tightly connected with the concepts of usability and user experience that were discussed previously. However, once it is missing from any website it is noticeable immediately. As soon as it requires much effort from the user to find the information that he/she is looking for, it means that the navigation is not well-designed. Intuitive navigation implies that the navigation process is smooth and uninterrupted. Intuitive design is invisible and quite often underestimated, but extremely important for overall user experience.

Another contemporary web design trend identified from the sources that had been studied is **flat design**. Flat design was introduced first by Microsoft in Windows 8 (2012) and its core characteristics are elimination of shadows, embossing and gradient – anything reminding of 3D real world objects; minimalism and simplicity, focus on typography – unusual typefaces, ALL CAPS, condensed and ultralight fonts, plain colors, low density of objects on screen (Burmistrov et al. 2015). An example of flat design compared to rich design is demonstrated on Picture 5.

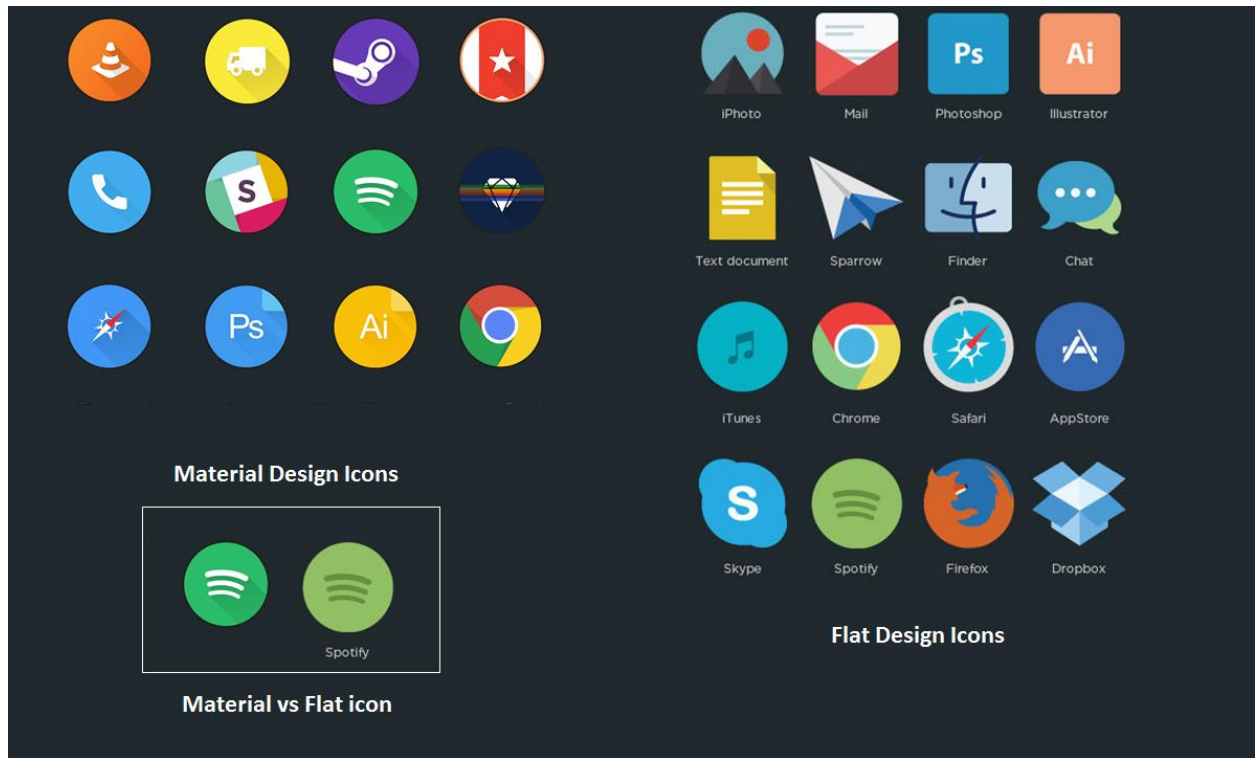


Picture 5. Flat design (top) vs. rich design (bottom)

As a proof of the incredible pace of changing web design trends, in the summer 2016 a new trend – material design - has emerged from flat design. Material design combines the simplicity of flat design with texture and more depths. The concept was introduced by Google, and Google has even created Material Design Guidelines (2016).

The difference between flat design and material design is not very significant, however it is demonstrated on Picture 6. The shadows that are used in material design add the 3rd dimension to the icons. The color scheme is slightly different as well.

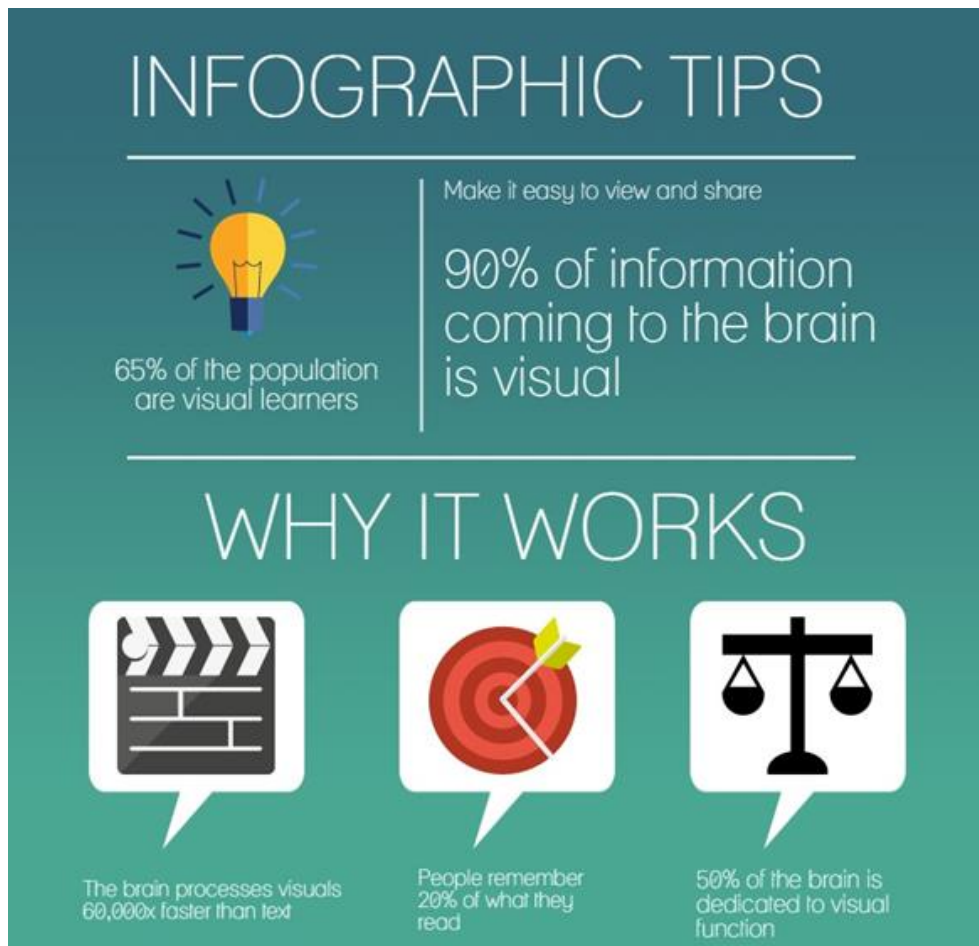
Flat/material design is immediately associated with **infographics** – a very popular format for communicating statistical information in the internet (Picture 7). It is widely used in annual reporting, as it allows communicating the results in a light and effective way – through visualization. The data presented through infographics is also easier to memorize.



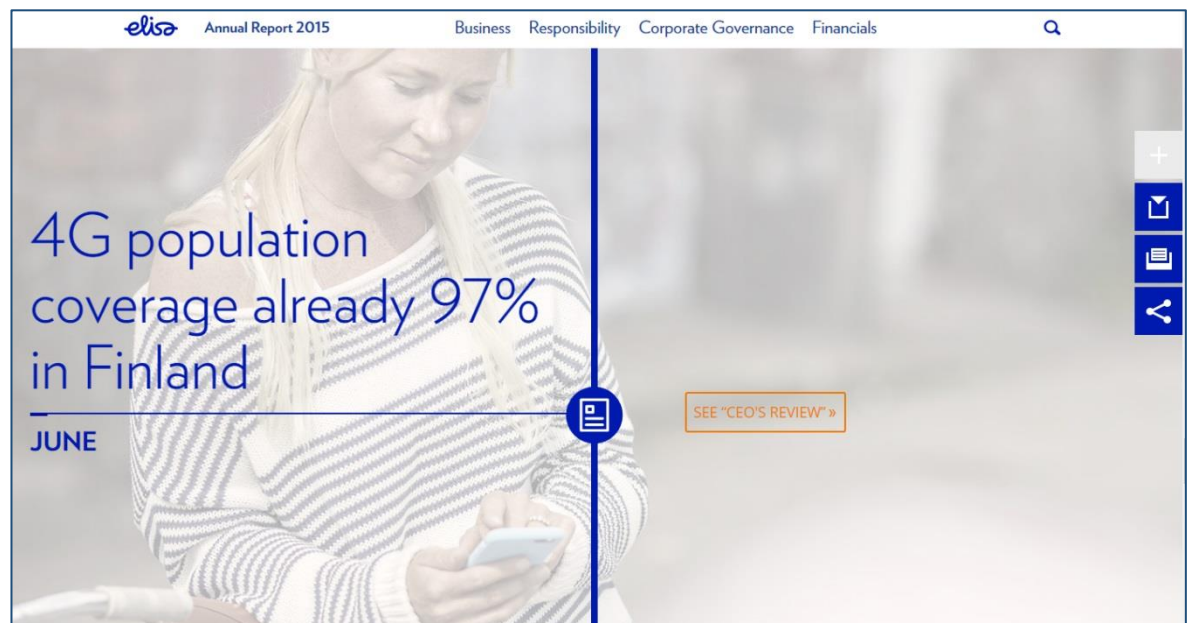
Picture 6. Material design (left) vs flat design (right)

Even though there is no direct evidence that flat/material design or infographics are favored by investors, the results of the research by Financial Reporting Lab (2015, 10) show that it is simplicity and functionality that investors are seeking in the design of annual reports. Flat and material designs are simplistic, functional and minimalistic in its nature (Awwards 2015). Infographics is also known for its ability to communicate visually complex data and in addition, demonstrate linkage and/or comparison between different sets of data as often it combines a number of graphs or statistics indicators in one picture. Deloitte (2015, 2) raised concern regarding the lack of linkage and consistency between objectives, strategy, risks and KPIs, and infographics can be used as a tool to visually demonstrate linkage and connections between elements of the report.

This flat/material design trend can be observed from Elisa's annual report 2015 in an interesting combination with two other trends – **large background images** and using a **time-line framework** (Picture 8). In some cases, flat design can be used in annual reports in combination with the large background video (Nokian Tyres' Annual Review 2015).



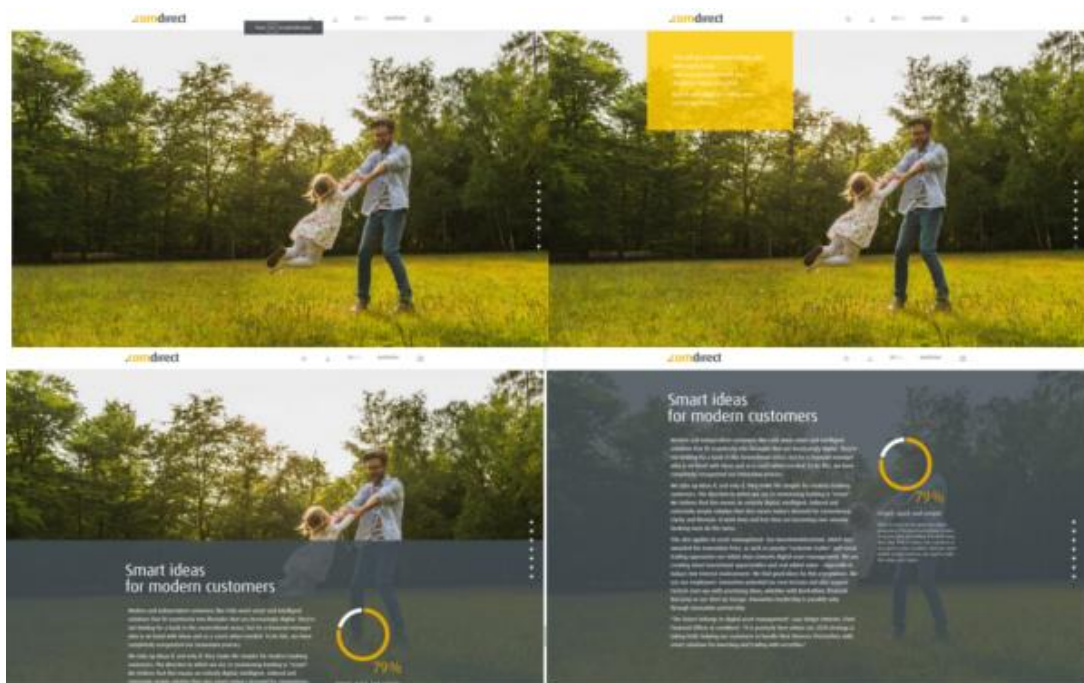
Picture 7. Example of infographics (Super Library Marketing 2015)



Picture 8. Usage of large background images and timeline framework in combination with flat design (Elisa Annual Report 2015)

Another very common and popular trend in web design nowadays is **parallax scrolling** technique. A vague attempt to illustrate this technique is presented on Picture 9. The reason of the technique being so popular is that it is interactive, as the picture on the screen changes with each mouse scroll; as a result, the user has control over the speed of how a picture changes, can navigate with it back and forth, and in some particular cases, even has control over the direction of where the picture goes, zoom in/out, and so on. Such profound interaction is supposed to make users more engaged and to enrich user experience. However, application of such technique adds complexity and basing on the results of the research by Financial Reporting Lab (2015) would not be favored by investors.

As an example of an extreme usage of parallax scrolling in annual reporting was the report produced by Mailchimp (Mailchimp 2014). The whole report is presented on a single page and a reader is supposed to scroll it all through from the top to the bottom. Such design solution might be interesting from designers' perspective, however, when used to such extreme it makes impossible to search for specific information or navigate through the material in any other way than scrolling. On the other hand, Mailchimp was not a public company in 2014, and their target audience and reasons to produce an annual report were very different than they are for public companies. which are in the focus of this study.



Picture 9. Example of Parallax scrolling. Illustration of how the image changes which each scroll (clockwise), annual report 2015 by Comdirect

The last trend that was identified by the leading global web design agencies was usage of **own photo** instead of stock photo. However, unless one had previously seen the same photo somewhere else, it is not always obvious for an external reader whether the picture is taken by the company or obtained from photo stock.

4.6 <Integrated Reporting> framework

As the formats and techniques that can be used in different formats to facilitate reading process and “searchability” of annual reports were discussed in previous subchapters 4.4-4.5, this subchapter is focused on the emerging global trend in corporate reporting – integrated reporting.

Many scholars and practitioners agree that balance sheets and income statements cannot represent true value of corporations any more (Hoffman& Fieseler 2012,139; Arvidsson 2011, 278; Brearey 2008, 7). Intangible assets, e.g. intellectual property or brand value that cannot be reflected through standard financial indicators, play a huge role in modern business. In addition, the prevailing of short-termism in corporate reporting (ACCA 2013c, 7) or “tyranny of quarterly capitalism” as referred to by Hillary Clinton (The Week 2015) - focus of the company management on fixing quarterly results and boosting short-term share prices quite often at the expense of sustainability, new hires and long-term investments – has a strong negative impact on global economy (ACCA 2013c, 7; the Week 2015).

Integrated Reporting framework (<IR>) is a relatively new concept developed by International Integrated Reporting Council (IIRC) that is seen as a potential tool to bring corporate reporting to a new level by both parties of information disclosure process. The main purpose of integrated reporting is to “explain providers of financial capital how an organization creates value over time” (IIRC 2015, 4). Instead of simply integrating separately prepared financial and sustainability reports, the new framework focuses on six capitals that are used in the process of corporate value creation as illustrated in Figure 6. These six capitals are Financial, Manufactured, Intellectual, Human, Social and Relationship, and Natural capitals. (IIRC 2016.)

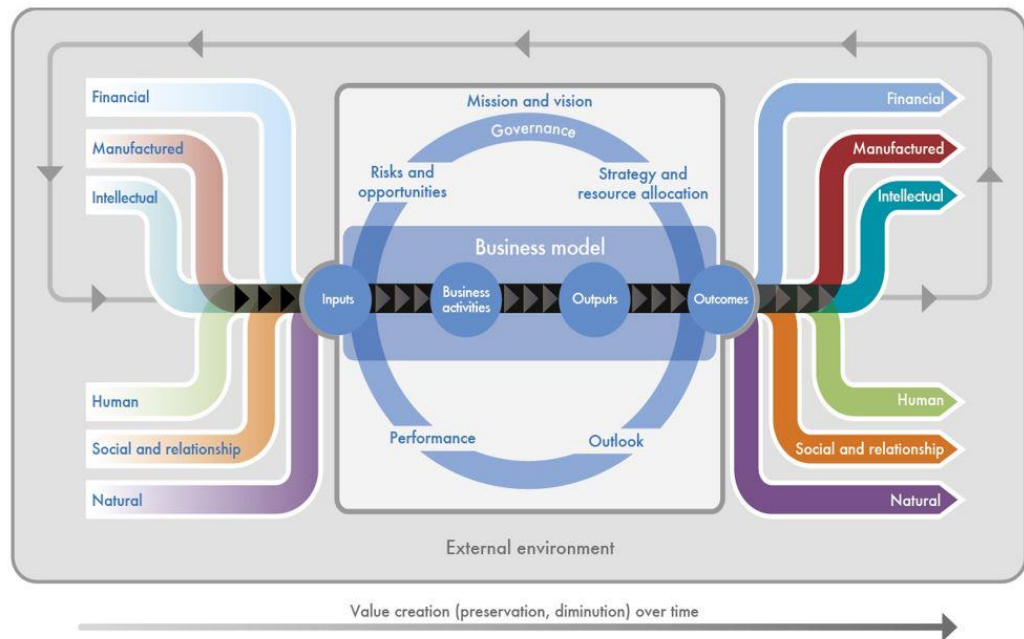


Figure 6. Six capitals of Integrated Reporting in corporate value chain creation (IIRC 2016)

The traditional reporting framework has its focus only on financial and manufactured capitals, whilst <IR> is supposed to provide a broader, fuller and more comprehensive picture of company's operations and its effects on the external environment. Integrated Reporting framework is focused on the value creation processes. Figure 6 is a visual explanation of the foundations of Integrated Reporting concept: to explain how the business (business model) transforms the external resources (capitals on the left) into valuable outcomes (capitals on the right).

4.6.1 The origins and geography of Integrated Reporting

The idea of Integrated Reporting has its roots in Value Reporting Framework developed by PwC in 1999 (PwC 2015, 3), and the first steps towards implementing the new reporting framework happened about 15 years ago. The pioneers were a pharmaceutical company Novartis and an aerospace and engineering company GKN based in the UK, that voluntarily integrated financial and sustainability reports in one document back in 2003. Within two years other companies followed their example: Novo Nordisk, DSM and SAS Group from Denmark, German company BASF, Natura from Brazil, as well as some others.

Global Reporting Initiative's (GRI) monthly report on Integrated reporting (GRI 2012, 2) distinguishes between various definitions and usages of integrated reporting concept. Some use the concept for annual reports that combine financial, managerial, and sustainability reporting in one document. Others refer to Integrated Reporting as the framework developed by International Integrated Reporting Council and refer to the reports that are prepared in accordance with <IR> framework as Integrated Reports.

In this thesis, the reports produced under the framework that is developed by IIRC are referred to as Integrated Reports, and the framework itself is referred to as <Integrated Reporting> Framework or <IR> Framework. Reports that integrate sustainability and financial reporting without any reference to the framework developed by IIRC are referred to as integrated reports (with no capital letters or "<>" marks).

On the global scale, the first country to completely adopt Integrated Reporting into its legal system was South Africa. All companies listed at Johannesburg Stock Exchange are required to report on governance, strategy and sustainability. As described in the King Report on Governance for South Africa, Integrated Reporting is "a holistic and integrated representation of the company's performance in terms of both its finance and sustainability" (Solomon & Maroun 2012, 7). Integrated Reporting Council in the UK (IIRC) also stresses out the interconnections between the financial and non-financial data disclosed in Integrated reporting:

"Integrated Reporting combines (...) financial, management commentary, governance and remuneration, and sustainability in a coherent whole, and importantly: shows the connectivity between them; and explains how they affect the ability of an organization to create and sustain value in the short, medium, and long term" (IIRC 2011, 6).

Today Integrated Reporting is mandatory for listed companies in South Africa and in Brazil, and its voluntary adaptation grows rapidly in many other countries, including the UK, Australia, the Netherlands, Japan, Singapore and the USA. According to a report by PwC (2015, 3), 130 Japanese companies produced self-declared integrated reports in 2015, as had over 10% of the UK's 100 companies listed at London Stock Exchange with the highest market capitalization. Self-declared integrated reports do not necessarily comply with the Integrated Reporting framework developed by IIRC.

Combining financial and non-financial reports in one document was the first step towards integrated reporting. However, standalone Corporate Social Responsibility (CSR) reports

usually do not contain standardized data that can be analyzed in the financial models of investors and market analysts. Integrated Reporting involves development of new standardized non-financial KPIs that can be integrated to the financial framework. The next step towards the expansion of Integrated Reporting practices is development and adaption of the international standards, and IIRC along with GRI are constantly working on it.

The number of companies that follow the Integrated Reporting framework varies in different sources, as there are many companies that follow the Integrated Reporting principles partially, or only refer to the framework in their reports, whilst others comply with the framework completely. All in all, as of 16th of June 2016 there were 341 companies that followed the Integrated Reporting Framework according to the IIRC database of reporters (IIRC Database s.a.).

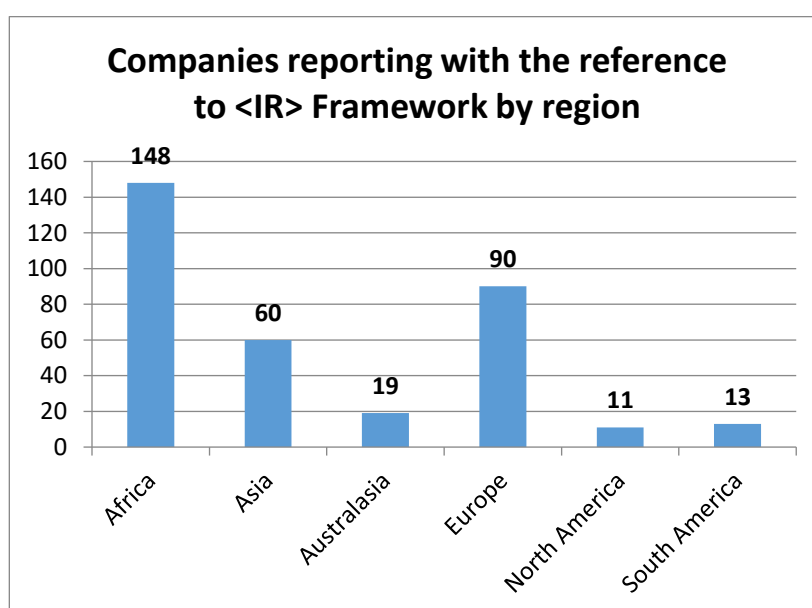


Figure 7. Number of organizations whose reports refer to the IIRC or the International <IR> Framework, or are influenced by the Framework through participation in <IR> Networks by region basing on the data obtained from IIRC Database in June 2016

Figure 7 that is based on the information obtained from IIRC database on June 16th 2016, illustrates the number of <IR> reporters per region. As it can be observed from Figure 7, South Africa and Europe are the regions where the Integrated Reporting Framework is adapted the most, with 43% and 26% of all Integrated Reports being produced in those regions correspondingly.

Once again, in this report, “Integrated Reporting” or “<IR>” refers to the reporting in accordance with the framework developed by IIRC, whilst “integrated reporting” refers to integration of financial, managerial, and sustainability reporting without compliance with or reference to the abovementioned framework.

4.6.2 Content elements of an Integrated Report

According to guidelines produced by International Integrated Reporting Council (IIRC 2015, 10), an Integrated Report shall include the eight content elements as described in Table 3. The elements are reformulated into questions in Table 3, and the detailed, though at the same time concise answers to those questions, are expected to constitute an Integrated Report.

Table 3. Eight essential content elements of an Integrated Report

1. Organizational overview and external environment	<p><i>What does organization do and what are the circumstances under which it operates?</i></p> <ul style="list-style-type: none"> - Mission, Vision, Values, culture, ethics - Ownership, operating structure - Competitors and market positioning - Value chain positioning - Key quantitative information (revenue, countries of operations, personnel, etc.) - Factors affecting external environment - Significant factors affecting the external environment include aspects of the legal, commercial, social, environmental and political context that affect the organization's ability to create value in the short, medium or long term
2. Governance	<p><i>How does governance structure support the ability of an organization to create value in the short, medium, and long term?</i></p> <ul style="list-style-type: none"> - leadership structure - decision-making processes - risk management - how mission, vision, culture etc. are affect capital allocation - extra governance practices (beyond legal requirements) - innovation initiative from members of governing bodies - linkage between remuneration and value creation
3. Business model	<p><i>What is the organization's business model?</i></p> <ul style="list-style-type: none"> - how inputs through business activities transform to outputs that aim to fulfill organization's strategic purpose and create value over the short, medium, and long run (as seen in Figure 3) - Inputs, business activities, outputs and outcomes explained in detail

	<ul style="list-style-type: none"> - identification of key elements and critical dependencies in the business model – key stakeholder, or critical raw material, etc.
4. Risks and opportunities	<i>What are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how is the organization dealing with them?</i>
5. Strategy and resource allocation	<i>Where does the organization want to go and how does it intend to go there?</i> <ul style="list-style-type: none"> - strategic objectives - strategies to achieve those objectives - resource allocation plans in relation to the strategy - measurement systems of achievements and outcomes - role of innovation - intellectual capital development and application - environmental and social considerations used as competitive advantage - stakeholder engagement into strategy and resource allocation planning
6. Performance	<i>To what extent strategic objectives were achieved during the reporting period and what are the outcomes (effects on capital)?</i> <ul style="list-style-type: none"> - quantitative indicators - positive and negative effects on the capitals (six capitals model) - Explained KPIs (financial and sustainability)
7. Outlook	<i>What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?</i> <ul style="list-style-type: none"> - anticipated changes, expectations about external environment and its effects on business - implications for future financial performance
8. Basis of preparation	<i>How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?</i> <ul style="list-style-type: none"> - summary of materiality determination process: summary of the processes used to identify relevant matters and the role of those charged with governance - reporting boundaries - significant frameworks and methods to quantify or evaluate material matters

Summarizing Table 3, an Integrated Report shall include following elements: basis of preparation, future outlook, performance evaluation for the reporting period, strategy and

plans for resource allocation, risk evaluation and measures planned to mitigate those, current business model explained (using the chain of value creation model), governance mechanisms, and organizational overview and introduction to operational environment.

There are also specific guidance developed by IIRC that are supposed to assist organizations in reporting the abovementioned essential elements, concerning disclosures of material matters, disclosures about capitals, and others.

4.6.3 Guiding principles of Integrated Reporting

According to IIRC Framework (2011, 15), there are seven guiding principles of Integrated Reporting:

1. Strategic focus and future orientation
2. Connectivity of information
3. Stakeholder relationships
4. Materiality
5. Conciseness
6. Reliability and completeness
7. Consistency and comparability

Referring to the previous subchapters (4.1-4.5), it can be concluded that the majority of guiding principles of <IR> are based on the needs and expectations of investors: future-orientation of narratives with strategic focus (as discussed in subchapter 4.1.6); materiality and reliability (as discussed in subchapters 4.1.1 and 4.1.2 correspondingly); connectivity of information (see subchapter 4.1.4), consistency and comparability (as presented in subchapters 1.3, 4.1, 4.3, 4.5); conciseness (as seen in subchapters 1.3, 4.2).

4.6.4 The benefits of Integrated Reporting

As previously mentioned in this report, the main purpose of Integrated Reporting is to explain to capital providers how a company creates value in a long-term perspective (IIRC 2015, 4). According to the study by PwC (PwC 2015, 3), many organizations need to go through a fundamental internal change in order to be able to link various reported aspects to each other, but it is a useful step towards long-term setting and reaching long-term goals and objectives. Some researchers suggest, that the six capital model is “helpful for understanding stocks and flows of capital and leading to better capital allocation decisions” (Stubbs et al. 2014, 2).

Solomon and Maroun (2012, 7) note, that IIRC sees Integrated Reporting in the future as a primary vehicle for communicating with shareholders and other stakeholders and that it that represents company's performance in terms of both its finance and its sustainability.

A survey by Deloitte (2015b) identified four major trends in corporate reporting nowadays: annual reports are becoming longer, there is lack of linkage between the elements of the report, the usage of alternative performance measurements (APMs) in non-statutory section of the report is growing, and, lastly, increasing amount of companies refer to <IR> framework (Deloitte 2015b, 2-3).

While growing length of the reports and lack of linkage between elements directly contradict the needs and expectations of investors (see subchapter 4.1), there are both advantages and disadvantages of using APMs. Such figures can offer valuable insights for the readers, highlight the key value drivers, create a link between financial and non-financial reporting, and in some cases, can even increase comparability between the companies that are operating in the same sector. On the other hand, several considerations regarding using alternative performance measurements are lack of comparability in most of the cases, possibility for managerial bias, risk of contradiction between APM and IFRS (GAAP) figures, increased possibility of share price volatility and lack of external assurance that results in scepticism towards the accuracy of data. (EY Center for Board Matters 2016, 1-2.) Since comparability of disclosed data is an important factor for investors, and it is simplicity that the primary stakeholders of annual reports are looking for, all in all, using APM is also seen as contradictory to the needs and expectations of stakeholders in the most of the cases.

Thus, the three of the four trends identified by Deloitte (2015b, 2-3) – lack in linkage, increasing length, and alternative measurements – are rather relevant problematic issues that contradict to the needs and expectations of investors than positive trends, the fourth trend - integration of financial, managerial and sustainability reporting and shift towards Integrated Reporting framework may be considered as the solution for these issues, and both scholars and practitioners have high expectations towards the results of its growing application (ACCA 2013c, 19).

As pointed out in subchapter 4.6.3, the underlying guiding principle of <IR> are mostly based on the needs and expectations of investors and shareholders that were previously defined in this chapter. In addition, the content elements described in subchapter 4.6.2 also include the information that is of the highest interest to stakeholders (see subchapter

4.2), such as description of financial and non-financial KPIs, description of risks that may occur and measures undertaken to mitigate those risks, focus on the strategy and its execution, and providing an outlook regarding the management's plans for the near future among others. Thus, it can be concluded that by following the principles of <IR> framework companies can produce annual reports that would satisfy the needs and fulfil the expectations of investors.

(ACCA 2013a, 6) reveals that investors have a strong appetite towards Integrated Reporting. In fact, over 90% of respondents (investors) thought that it would be valuable for companies to combine financial and non-financial reporting (ACCA 2014, 18).

4.7 Summary of the document analysis

This chapter discussed the important aspects of the needs and expectations of investors towards annual reports that are produced by public companies that were identified during the document analysis (first stage of the research). The findings are summarized in the next chapter (chapter 5).

The next chapter (chapter 5) also presents the research matrix, an instrument that was developed basing on the findings presented in this chapter for analysing annual reports 2015 of the sample companies, as described in the methodological design of the research (subchapter 3.1).

5 Research matrix

This chapter summarizes the results of the data analysis that was carried out with the purpose of identifying the needs and expectations of the investors towards annual reports and presents a research matrix (Appendix 3) that was developed in order to assess the annual reports 2015 produced by the most-traded public companies in Finland (the companies are listed in Appendix 2) in terms of compliance with the needs and expectations of investors.

5.1 The variables included into research matrix

Concluding the findings of the document study and analysis that was undertaken at the first stage of this study, the following key aspects of annual reporting from investors' perspective were identified:

- investors want financial reporting to be **credible (reliable), timely, material, with internal linkage between elements, future-oriented, concise, consistent and comparable**
- in addition to the statutory information that shall be included into annual reports of public companies by law and under reporting framework (IFRS in Finland), investors have the most interest in **risk analysis** and measures for its mitigation, **future plans and prospects, clear strategic objectives set and strategy well-explained** overall, **key performance indicators (KPIs) with managerial comments, corporate governance** procedures, and **information about management**
- the value of CSR disclosure remains to be an open question; however, the changing regulations make it mandatory for the large corporations in Finland (subchapter 4.3.3) and overall **integration of managerial, financial and sustainability** reporting is seen as favourable by many investors
- according to investors' requirements, the most preferable format of annual report is a **single PDF document** with increased "**searchability**" and **navigation side bars**, produced in **landscape orientation** that would better fit a computer screen. **Printed** versions of annual reports also seen as valuable investors' tools, PDF reports are often printed out
- **Integrated reporting and <IR>** framework in particular is based on the principles that are based primarily on the needs and expectations of investors, and thus, in general **is favored by investors and shareholders**

Basing on the findings presented above, the following variables were included into research matrix:

1. Format(s) annual reports
2. Usage of noteworthy technologies in HTML annual reports
3. Application of design solutions to HTML annual reports
4. Usage of technologies in PDF annual reports
5. Number of separate publications that constitute annual corporate disclosure of a company
6. Disclosure of voluntary information that is considered most valuable by investors

7. Compliance with <IR> Framework or application of any tools and techniques that it offers
8. Compliance with Global Reporting Initiative G4 Framework
9. External assurance of non-statutory disclosure
10. Materiality assessment of CSR information
11. Timing of publication of annual results and annual reports
12. Future-orientation of the narrative disclosure

Each of the variables and its measurement parameters are discussed throughout the subsequent subchapters 5.2-5.10. Since not all of the sample companies produced HTML annual reports, the score for criteria related to HTML format are not included into the final score in the research matrix presented in Appendix 3.

Before explaining the variables and how they were measured, it is important to empathize once again that the purpose of the research matrix and analysis of the annual reports produced by the sample companies in 2015 was not to evaluate corporate reporting of each particular company, but to build an understanding of the corporate reporting practices among companies listed at Helsinki Exchange and evaluate whether the established corporate reporting practices fulfil the needs and expectations of investors.

The research matrix can be used to analyse any annual report in terms of compliance with the needs and expectations of investors and shareholders. The research matrix can be used as a tool to find the areas of the report that can/shall be improved.

5.2 Format of digital annual reports

As it was discussed in subchapter 4.4, there are five types of digital report formats: PDF, reader, hybrid, HTML, and separate application for iOs/Android. Each company from the sample had a digital annual report available at their website. This variable (format(s) of annual reports) was measured at a scale of 1-3. If a company produced only a PDF/reader document, it was given 1 point. If it had a hybrid version (e.g. annual review in HTML + financial statements as a PDF file) it was given 1,5 (1 point for PDF and 0,5 for HTML). If a company produced a comprehensive HTML report in addition to the PDF file, the score of 2 (1 for PDF, 1 for HTML) was given to it. If a company has an Investor Relations application in App Store and produced a special version of annual report for that application, or if there was a separate annual report application developed, an additional score of 1 was added to the previous score(s).

5.3 Usage of technologies in HTML reports

The following attributes of HTML/hybrid annual report were measured when evaluating the technologies used in HTML reports: portal style homepage, downloads page, CEO's audio/video review, animated graphs, possibility to build personalized annual report, possibility to create a note, possibility to enlarge pictures/graphs/tables, an interactive theme, possibility to download financial statements as an excel file, and visual representation of the executive team.

As it was discussed in subchapter 4.5.1, not all of those techniques provide features valued by investors and shareholders; some of them, on the contrary, can be perceived as distractive, others are neutral but mainly useless for their purposes. Basing on the discussion in subchapter 4.5.1, following five techniques were considered as valuable during the research: executive team's layout; financial statements available for download in Excel format and portal style homepage; CEO's statement delivered in a video format and downloads page. Usage of video for communicating CEO's statement was considered as a valuable feature, if the transcripts were provided. Downloads page also was considered as a positive feature during this research, as it allows easy download. Thus, if company's HTML reports had any of these five features, a company was given 1 point for each.

Since animated graphs and interactive themes can be seen as unnecessary and distractive, if they were featured in HTML annual reports, a company was given -1 point.

Other techniques neither provide value nor distract readers, thus no points were given.

However, those techniques were measured in order to build a full picture of the techniques that are commonly used in HTML annual reports of Finnish companies. The results are presented in Appendix 5. Neutral techniques are marked with "0" (as zero points were given for them). If the technique was not used in the HTML report, it is marked as "-" in the table in Appendix 5.

Only annual reports of nine out of 25 companies were measured (Elisa, Tieto, Sampo, Wärtsilä, Kesko, Nokian Renkaat, Metso, TeliaSonera, Fortum), since other companies did not produce annual reports in HTML.

5.4 Application of latest design trends (to HTML reports)

Just as the previous variable, application of the latest design trends was also measured only for the nine annual reports, as there were only nine of sample reports produced in HTML format. Each of the reports was rated at a scale from 1 to 8. One point (in some

cases 0,5 point, depending on the degree of application) was given to an annual report for each of the following design elements: responsive design, explicit usage of video, intuitive navigation, large background images, flat design, infographics, parallax scrolling, using a timeline framework. The design elements were defined and explained in subchapter 4.5.2.

One trend that was explained in subchapter 4.5.2 was omitted when measuring this variable, since it was impossible to guess whether the company used own photos or stock photos in their annual reports.

Also, “intuitive navigation” trend was rated according to the researcher’s experience when browsing through the online annual report. Even though almost all annual reports from the sample got one point, some of the reports got only half a point, since from the researcher’s perspective it took more time to find specific information by navigating through the reports produced by those companies.

The results of measuring this variable are not included into total score in the research matrix, as this variable was measured from the perspective of designers (as the design trends were identified from resources related to web design as explained in subchapter 4.5.2), not from the perspective of investors. However, the variable was included into the research matrix in order to provide better understanding of the corporate reporting practices in Finland overall.

5.5 Usage of technologies in PDF reports

The usage of technologies in PDF annual reports was also analysed, however, annual reports of all 25 sample companies were studied as each company of the sample produced an annual report in PDF format.

The variable was measured on a scale from 1 to 4. A point was giving to an annual report for having one of the following features: interactive table of contents; interactive navigation and internal hyperlinks; links to external sources (YouTube, website, etc.); or other interactive features. Since there were two ways that companies used to embed external links – by adding a hyperlink that looks like a URL address or by making it as a design element – underlined and bold text, a picture, or any other creative solution – this particular feature could be valued as 0,5 point or as 1 point correspondingly, since the latter version looks more professional.

5.6 Content elements

All 25 annual reports of the sample companies were analysed and rated in terms of the topics that were covered in annual reports. However, there was a complication at this step of the research caused by the differences between the number of publications that constituted annual disclosure of the sample companies.

Some companies issued one single report (annual report) to communicate financial, CSR, governance, strategic, and other information, whilst others produced up to 6 separate publications. For this reason, even though this variable was also measured quantitatively at the scale from 1 to 5 (each of the topics, that the investors are interested in as discussed in subchapter 3.7 equals one point), some deeper reflections on the matter are also presented in Chapter 5.

For the purpose of the study, this variable was reflected in the final matrix by two numbers. All core publications (e.g. annual review, annual report, CSR reports, etc.) were rated at the scale from 1 to 5, whether full financial statements, CEO review, Corporate Governance and Risk Management, Strategy, and Sustainability topics were covered in the reporting. The disclosure of data related to each of above-mentioned content elements through any of the publications specified above was counted as a point when studying this variable. However, in those cases when CSR reports were issued separately and significantly later than financial report, its content was not studied, since it was a separate document. If a CSR report was produced simultaneously with annual report or within a short period of time after (1-2 weeks) it was considered as single report published as a series of publications .

The number of such publications that a company produced to disclose its annual performance is also reflected in the final matrix. An additional table in the Appendix 7 specifies which reports covered which topics for each company and how many publications constituted annual disclosure of each company.

5.7 Application of Integrated Reporting Framework

The Integrated Reporting Framework is discussed in detail in subchapter 4.6. As it is stated in the Integrated Report Framework Guidelines (IIRC 2015, 24-32) and described in Table 4 (subchapter 4.6.2), an Integrated Report shall cover following topics: business activities explained; value creation process (6 capitals model); business resources explained; operating context analysis, including risks and opportunities analysis; governance

and remuneration; explanation of KPIs; strategy discussed; human resources; and suppliers. In addition, stakeholder approach to reporting shall be used.

Among the sample of the study (25 companies), there were few companies who had produced annual reports 2015 that included diverse information. Initially, the reports of the companies that produced annual disclosure in a single document were taken to measure this variable. However, since an <IR> report should not necessarily be produced as a single document (there are no such indication in the IIRC guidelines), some other reports were added to this sample later on.

Eventually, there were 12 reports included into this sample for measuring this variable: annual reports 2015 that were produced by Neste, Elisa, UPM-Kymmene, Sampo, Kesko, Kemira, Konecranes, Fortum, Stora Enso, TeliaSonera, Wärtsilä and YIT Group. The PDF versions of the reports of these 12 companies were studied separately in order to find out whether any principles of <IR> were applied when producing those reports.

During the study the contents of those 12 reports were examined for the effects of the ten key principles of the IIRC framework as they are listed above. Each report was scored on a scale from 0-10, and having each of the key elements included in annual report would add one point or half a point if the principle was applied but not comprehensively.

5.8 CSR reporting

As discussed in subchapter 4.3, value of sustainability reporting and its importance for investors is still not well-established. However, investors value comparable, credible and material disclosure. Thus, whether the CSR reports of the sample companies were included into annual reports or published separately, there were three elements that were analysed in those reports to measure this variable: application of GRI G4 Framework (comparability), external assurance of CSR disclosure (credibility) and materiality analysis of topics included into the report (materiality).

First of all, whether the Global Reporting Initiative (GRI) Framework was adapted for reporting CSR information in annual reports of the sample companies was evaluated at this stage of the research. To measure this variable, not only annual reports were evaluated, but also the CSR reports of the sample companies that were published separately.

An annual report of a company was given one point if the reporting complied with the GRI G4 Framework. No difference was made between the reports prepared in accordance with

core or comprehensive “in accordance” versions (the difference is briefly explained in sub-chapters 4.3.1; 4.6.4). If there was partial reference to the framework, 0,5 of a point was given to the report. To measure this variable, all 25 sample annual reports and their supplements (CSR statements/reports) were evaluated.

In addition, references to other reporting frameworks were studied and those additional CSR reporting frameworks that were used are discussed in Chapter 5.

Secondly, external assurance of sustainability reporting was evaluated. Credibility of the financial information disclosed in annual reports must be assured by external auditors. However, some of the sample companies also had their CSR disclosure verified by the auditors. Such assurance is usually limited and does not cover all information provided in the report. In the auditor’s letter to the management it is usually clearly specified what exactly has been audited and what was left out of scope.

All in all, when measuring external assurance of sustainability disclosure in annual reports of the sample companies, each company that had their CSR reporting audited by an external party was given 1 point.

In the light of the growing volumes of annual reports, as discussed previously throughout the report (subchapter 4.1), and according to the main principle of <IR> Framework, it is highly recommended for companies to justify the inclusion (or in some cases exclusion) of certain information into the reports. Many companies used materiality matrix or materiality analysis to justify the topics related to sustainability disclosure.

If the company had such materiality analysis included into the report (either annual report or CSR report if those were issued simultaneously as separate publications) or justified the materiality of the information disclosed thoroughly in any other manner, the report was given 1 point. If the materiality aspects were mentioned just slightly, 0,5 point was assigned to the company. If there was no explanation of how the information was selected for the publication, no points were assigned to the company.

5.9 Timing

As it had turned out during the first stage of the research, timing is extremely important for the stakeholders of corporate reports. The ultimate time period for preparing annual re-

ports as defined by ACCA (2013, 10) – 10-15 days - was taken as a reference for this variable. However, none of the companies of the sample published financial statements, not to mention annual reports within such short time period.

In order to measure this variable, the amount of working days it took to publish financial statements and the amount of working days it took to produce annual reports were calculated separately for each company. It turned out that the minimum period of financial statement preparation was 17 days, and the maximum was 29 days. The points were given to the companies in accordance with the Table 4.

Table 4. Attribution of points to sample companies basing on the number of days it took them to publish financial statements and annual reports 2015

Financial statements published within specified time period		Annual reports published within specified time period	
Time period	Points given	Time period	Points given
less than 20 working days	1	less than 35 working days	1
20-25 working days	0.5	35-45 working days	0.5
over 26 working days	0	over 45 working days	0

The companies that published their results within 20 days were given 1 point, those for whom it took 20-25 days were given 0,5 point, and no points were given to the companies who published their financial statements after the 8th of February 2016.

The same approach was used to evaluate timeliness of annual reports. The shortest preparation time was 18 working days and the longest period was 64 days. However, both cases were exceptional, and the majority of the reports were produced within 26-56 working days. Hence, the companies that published their annual reports within 35 working days were given 1 point, within 45 working days 0,5 point, and no points were given for those who published their annual reports after the 8th of March.

The difficulty in measuring this variable was that the content of annual reports as such varied significantly from company to company. For example, some companies did not include CSR statement into annual reports at all, and produced the separate CSR reports significantly later. However, an example of Wärtsilä that managed to produce an annual report that covered all the significant content elements and earned 7,5 out of 10 points in terms of Integrated Reporting Framework application within 26 working days illustrates

that with well-established internal reporting and control mechanisms it is possible to produce a comprehensive annual report so promptly. More in-depth discussion of the results of the analysis of this variable is presented in Chapter 6.

5.10 Future orientation of narrative disclosure

As it has been pointed out previously in this report, one of the most valuable and appreciated by investors features of the information disclosed through annual reports that significantly distinguishes annual reports from other sources of information is the future-orientation of the information presented in non-financial section of the report.

Strategy disclosure, letter of the CEO and/or Chairman of the Board, and CSR sections of the annual reports (including annual reviews and separate CSR reports) of the sample companies had been studied for the future-orientation of the content. Some of the studied sections of the report were future-oriented, others included some elements of future orientation (moderately future-oriented), whilst others did not provide any information regarding the future plans or strategy of the company. The companies were given points basing on the description in Table 5.

Table 5. Attribution of points to the companies when measuring future orientation of its annual reports.

Future orientation in strategy disclosure, CEO's statements, and CSR of the reports	points given
no future orientation	0
moderately in 1-3 sections	0,5-1
in 1 section of the report	1
in 1 section + 1 moderately	1,5
in 2 sections	2
in 2 sections + 1 moderately	2,5
in 3 sections	3

As described in Table 5, companies were given 0,5-3 points depending on the number of chapters of the reports that were future oriented. The degree of future orientation was also taken into consideration. If the whole narrative was mostly future oriented, 1 point was given, if there were only a couple of future-oriented sentences, 0,5 point was given to the report for the chapter. The analysis was carried out manually and no specific key words were used to identify future orientation, however, the difference between future oriented

annual disclosure and a text that is focused on the past performance was rather easy to observe.

5.11 Calculating total score in research matrix

For the purpose of facilitating analysis of the results, there is a column “total score” in the research matrix. However, this is not a sum of all the columns that are included into research matrix.

“Total score” column is a summary of variables that are directly related to annual reports (e.g., timing of publishing financial statements is interesting to look at in comparison with the timing of publication annual reports, but on its own it does not provide value to the study, hence it is not included into calculation of total score). The variables that were not measured for all the sample reports (e.g. HTML techniques and design, application of <IR> framework elements) were also not considered for the total score.

Since the most preferable format of annual reports to work with are PDFs, and all companies produced such annual reports, the results of measuring formats (whether HTML reports or IR applications were used to publish annual reports), it was decided not to include this variable into total score calculations. The number of separate publications produced as parts of annual reports was not also included into total score. Measuring application of <IR> principles cannot be included into the total score, since not all 25 reports were analysed.

All in all, the results of measuring following seven variables were summed up for calculating “total score” result: technologies used in PDF reports, content elements included in annual reports, application of GRI framework, timing of publishing annual reports, external assurance of non-statutory section/sustainability reporting, materiality analysis defining topics to be covered in sustainability disclosure (published as a part of annual report), and future-orientation of the narratives (CEO’s statement, strategy and sustainability narratives). Those variables are marked with light purple in the research matrix in Appendix 3.

6 Research results

The results of analysis of the annual reports that were produced by the 25 most traded companies (as listed in Appendix 2) in Finland for the year 2015 that was carried out using the instrument discussed in the previous chapter (research matrix) are presented in this chapter variable by variable. A research matrix filled with the research results is attached as Appendix 3.

The formats, number of reports and the topics that were covered in those, the technology solutions and design trends that were used when producing the reports, application of GRI G4 guidelines and <IR> Framework, timing and future-orientation of the sample reports are discussed in this chapter.

An in-depth interpretation and discussion that interlinks the results of the analysis that was carried out at the second part of the research with the foundations of reporting principles, stakeholders' expectations and global trends identified in chapter 2 and 3 is presented in chapter 7.

6.1 Formats of the sample annual reports

As it was discussed in the previous chapters, nowadays almost each company that produces annual reports has at least a PDF version of it available on the corporate website. However, there are other formats that are used nowadays for producing digital annual reports (as discussed in subchapter 4.4.2).

After studying literature related to producing annual reports nowadays, there were assumptions that investor relations and public relations practitioners take advantage of the opportunities provided by new technologies and produce interactive, animated online reports that are appealing to all the audience groups that can encounter the annual reports online (instead of targeting annual reports at shareholders and investors, who want accessible, well-structured, concise reports). The assumptions were tested on the annual reports produced by the companies of the sample (Appendix 2) and the results are presented further on.

6.1.1 Interactive online annual reports

The results of the study of formats of the sample annual reports can be seen on Figure 8, as it illustrates which digital formats of the annual reports were used to publish the reports for financial year 2015 by the sample companies.

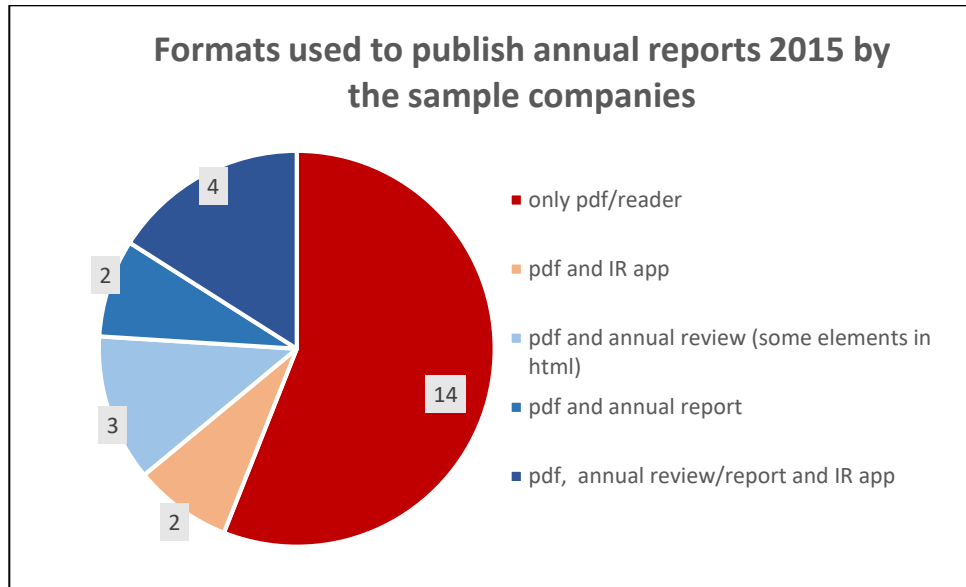


Figure 8. The formats used by the 25 companies of the sample to produce their annual reports for the year 2015.

Figure 8 illustrates that nine out of 25 top-traded at Helsinki exchange companies published their annual reports or its part in HTML format. Basing on the previous studies and comparing to the publications for the previous years, the result turned out to be lower than expected.

Four of these nine companies published their reports in PDF format, HTML format and also in their IR application. Three others of the nine companies published PDF annual reports and comprehensive HTML annual reports, and two remaining companies published a PDF report and HTML annual review. An HTML annual review refers to a limited summary of the past year achievements that some of the companies produced in HTML formats in addition to their PDF annual reports. The contents of such annual reviews are rather marketing-oriented than corporate disclosure material. However, such annual reviews cover the highlights of the past year and often include links to annual reports.

There were also two companies of the sample that produced their annual reports only in PDF format, but made those PDF reports available through their IR application for iOS/Android. Altogether, six companies of the sample made their annual reports 2015 available through their IR applications.

14 out of 25 companies produced their annual reports only in PDF format. It has turned out that many of the companies, that used to produce also HTML annual reports in the previous years do not do it anymore. E.g. Neste had produced interactive online annual reports for the years 2011-2014. Even before, ever since 2005 it had "*Web annual reports*" – "reader" documents, as classified in subchapter 4.4.2 - a modified version of PDF annual report that would allow some manipulation with the document in order to facilitate reading experience. However, for the year of 2015 the company only produced a single PDF report "Neste in 2015". The PDF file that was produced by Neste is very sophisticated and allows navigation between the topics through the top menu and table of content.

Another example of a company that stopped producing interactive online annual reports is Kemira. Kemira's online annual report 2013 was very good looking and easy to navigate through, smooth and full of information. For some reasons, it is not available from Kemira website anymore (only a PDF version); neither the company produced an HTML annual report for 2015 (there could have been one for 2014, but it is not available anymore as well).

Which formats were used by each of the sample companies is demonstrated in the table in Appendix 4. The companies in that appendix are listed basing on the performance of their share prices throughout 2014-2015. The price of Neste's shares grew up about 87% during the two year period, whilst the share price of Outokumpu dropped about 72% by the end of 2015 comparing to the beginning of 2014. It can be observed that there is no obvious correlation between the performance of a company and the formats of the annual reports.

6.1.2 IR application

The trend of producing annual report as independent applications for iOS is declining and there are very few companies internationally that continued to produce such applications for reporting operational results of the financial year 2015. Some of the sample companies (e.g. Nokian Tyres) had used to produce such annual report applications in previous years, for the year 2015 none of the sample companies did so.

However, as indicated in column 3 of the table in Appendix 4, six companies of main the sample have an Investor Relations application, and annual reports in PDF formats are available through the applications.

6.2 Publications compiling corporate annual disclosure

Another area of study was content of annual reports. Each of the sample companies has Financial Statements for the year 2015 available on their websites, whether they were published separately or as a part of an Annual Report. During the study, it has turned out that the majority of the sample companies produced not a single annual report, but a series of documents that together constitute an annual report.

The study revealed, there were not only sustainability reports produced separately from financial statements, but also separately issued annual reviews (managerial reports), financial statements, and corporate governance and remuneration reports (or even two separate reports). Nevertheless, in many cases, even though the reports were produced separately, they included consistent information and references to other publications of the series. In some cases, the two reports produced by the same company would repeat the same information.

The comparison of the series of reports published by the companies that composited OMXHEL25 index in spring 2016 as components of the annual disclosure showed that each company has its own disclosure practices. Figure 9 illustrates the amount of reports that were produced by a single company of the sample as elements of the comprehensive annual disclosure in 2015.

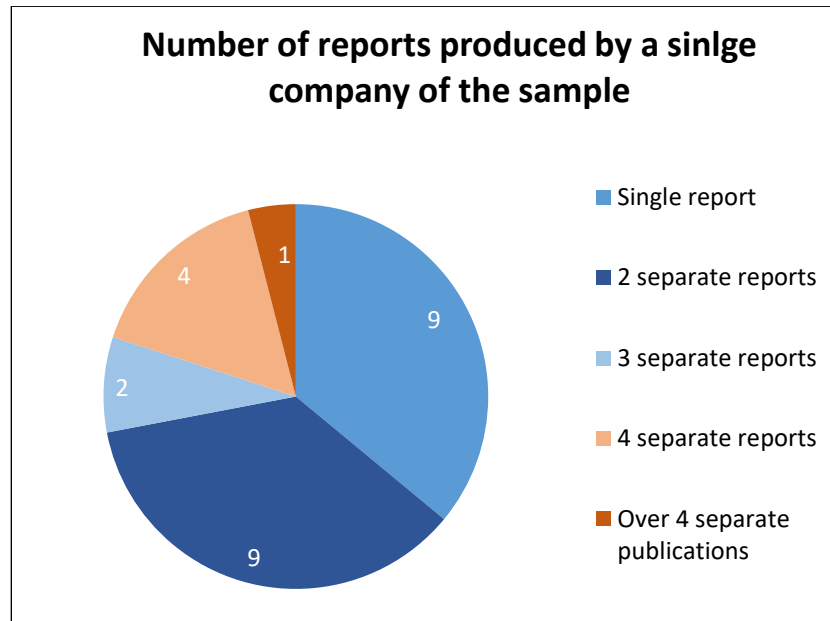


Figure 9. Number of reports produced by a single company of the sample as elements of the comprehensive annual disclosure in 2015.

As it can be observed from Figure 9, there was a significant diversity in the amount of publications that constituted annual disclosure 2015 among the sample companies. There were nine companies that produced single comprehensive publications that combined CSR, Financial, Strategy, and Corporate Governance disclosure: Neste, UPM, Sampo, Wärtsilä, Kesko, Kemira, Konecranes, TeliaSonera, and YIT (even though Wärtsilä produced two more publications, Annual Report 2015 is a comprehensive document that covers all relevant topics). Such integration of all information can be considered as a step towards <IR> Framework, or simply as integration of financial, managerial and sustainability reporting. However, it is important to point out that Integrated Reporting Framework does not emphasize the importance of producing one single document – the focus is on the linkage and connection between the elements of the corporate disclosure; the disclosure can be divided into several documents.

Other 16 companies divided their annual disclosure into several documents. Valmet, Stora Enso and Outokumpu had produced four separate publications for the accounting year 2015, two companies had three independent reports, some of them two separate publications. However, in many cases (e.g., (but not limited to) Stora Enso, Valmet) there were traceable interconnections between those separate publications. E.g. Valmet published four separate reports – Annual review, Financial Statements, Corporate Governance Statements and GRI Supplement (Sustainability report), each as a separate PDF file, and each of those reports had links and referrals to other publications in the series.

Orion had been producing complete online annual reports 2008-2012, but for the last three years only plain Financial Statements were published. However, all the information that would be generally included into an annual report, such as corporate governance, strategy, business operations and CEO statements is also available on their website in addition to sustainability reports for each year.

Cargotec and Kone also published their plain Financial Statements in PDF format separately from Annual Review (Cargotec) or Corporate Responsibility Report (Kone). The annual report 2015 of Fortum was divided into 10 separate PDF reports in addition to the web annual review – even the CEO's letter to shareholders was published as a separate document.

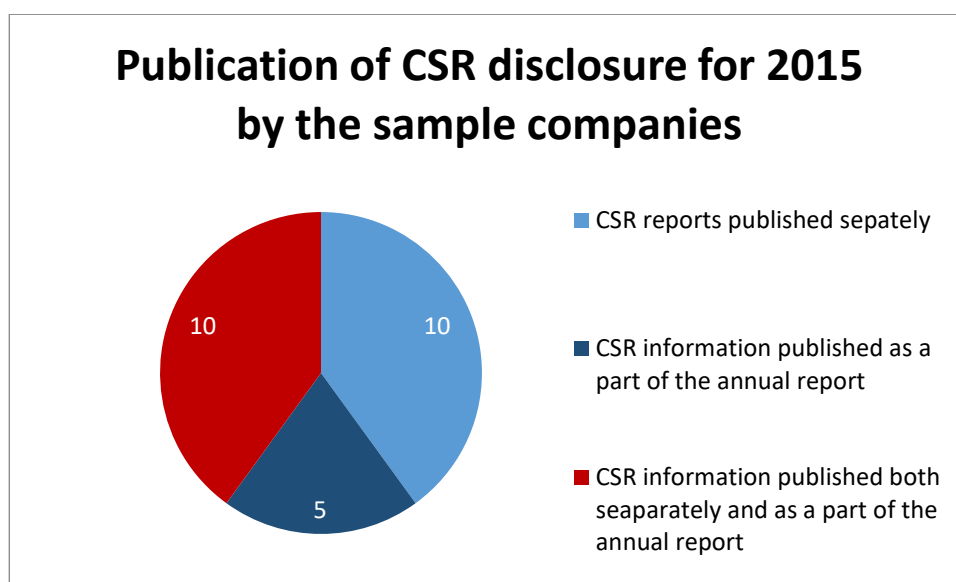


Figure 10. Disclosure of CSR information for the year 2015 by the sample companies

As illustrated in Figure 10, there were ten companies in the sample that produced CSR reports separately whilst ten others had them combined with financial reports. There were also five companies that briefly included sustainability disclosure into their annual reports and produced separate sustainability reports later on. Corporate Governance statements were produced separately from financial reports by six sample companies. Nine companies published independent documents that included only Financial Statements.

This trend of producing separate PDF reports resembles the trend of producing annual reviews that are design to act as navigators through different sections of corporate website

such as e.g. corporate governance or strategy, financial statements and potentially other components related to corporate annual disclosure (e.g. CEO statement in video format).

A table in Appendix 7 shows in detail the publications produced by each of the sample companies for the accounting year of 2015 and the topics that they cover.

6.3 Topics included into annual reports 2015 produced by the sample companies.

As described in subchapter 4.2, the stakeholders have some specific expectations towards the content elements of annual reports. Figure 11 illustrates how many companies covered each of the topics that are expected to be in the reports by investors and shareholders of corporate annual reports.

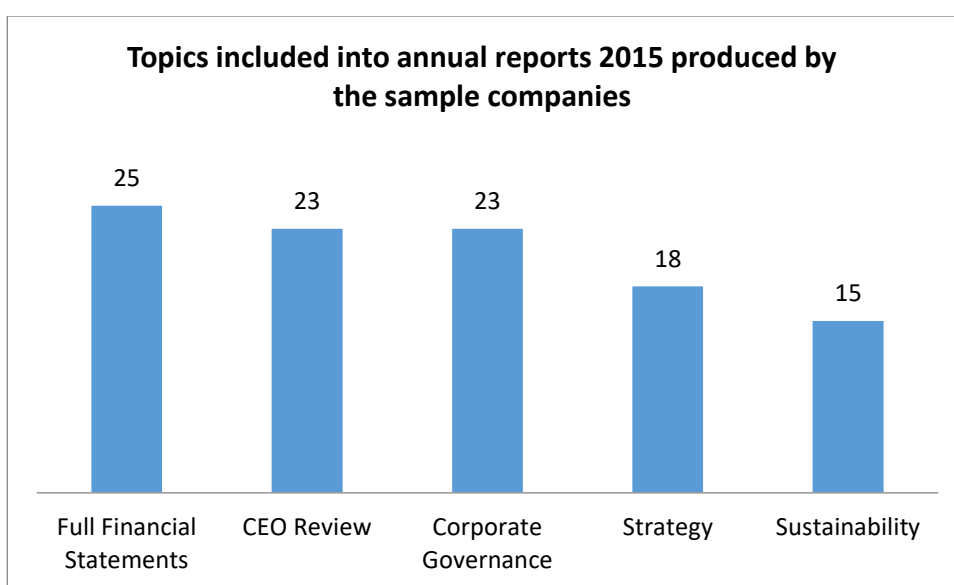


Figure 11. Topics that were reported on in annual reports 2015 produced by the sample companies

Only publications with titles “Annual report”, “Annual Accounts”, “Annual Review” or similar and the reports that were published simultaneously were considered when drafting Figure 9. E.g. in case an annual report and sustainability report were published on the same day, it was considered that sustainability disclosure was included into the annual report (produced as a series of reports). In case there was a significant time difference between the publications of financial and CSR disclosure, only the information in the financial report was considered. Both managerial reports and financial statements, however, were taken into account even if they were published separately.

It can be seen from Figure 11 that the financial information that is a mandatory part of information disclosure was published by all companies. Some of the annual reports did not have CEO's statements or corporate governance statement in the reports as such, even though that information was available on the website or through other reports that were published later. Separate sustainability reports were produced in those cases when CSR disclosure was not included into the annual report itself. In many cases, CSR reports were published much later (up to several months later) than the annual reports.

What draws attention is that there were seven reports that did not contain any information regarding business strategy and its implementation, as the importance of this information was especially empathized by the investors (as discussed throughout subchapter 4, subchapter 4.2 in particular).

Appendix 7 illustrates which topics were disclosed in annual reports of each sample company. Columns 4-8 indicate various business aspects that are expected to be covered in Annual Reports by investors, as explained in chapter 4. Since many of the sample companies published several reports, the names of separately issued reports are listed in column 3. The disclosure of KPIs and risk assessment were not yet studied at this point, these elements were studied when measuring integrated reporting elements later on;

6.4 Technical features of HTML reports used by the sample companies in 2015

As there were nine companies that published annual reports or annual reviews in HTML formats, only those HTML reports were analysed. Figure 12 illustrates which techniques were used by each company. Appendix 5 illustrates the results of measuring this variable in detail.

It has turned out that only one company made their financial statements available and only four companies produced a video statement by CEO. On the other hand, six companies included pictures and introduction of the members of the executive team, seven of the sample reports had a "downloads" page, and all nine reports had a portal style homepage.

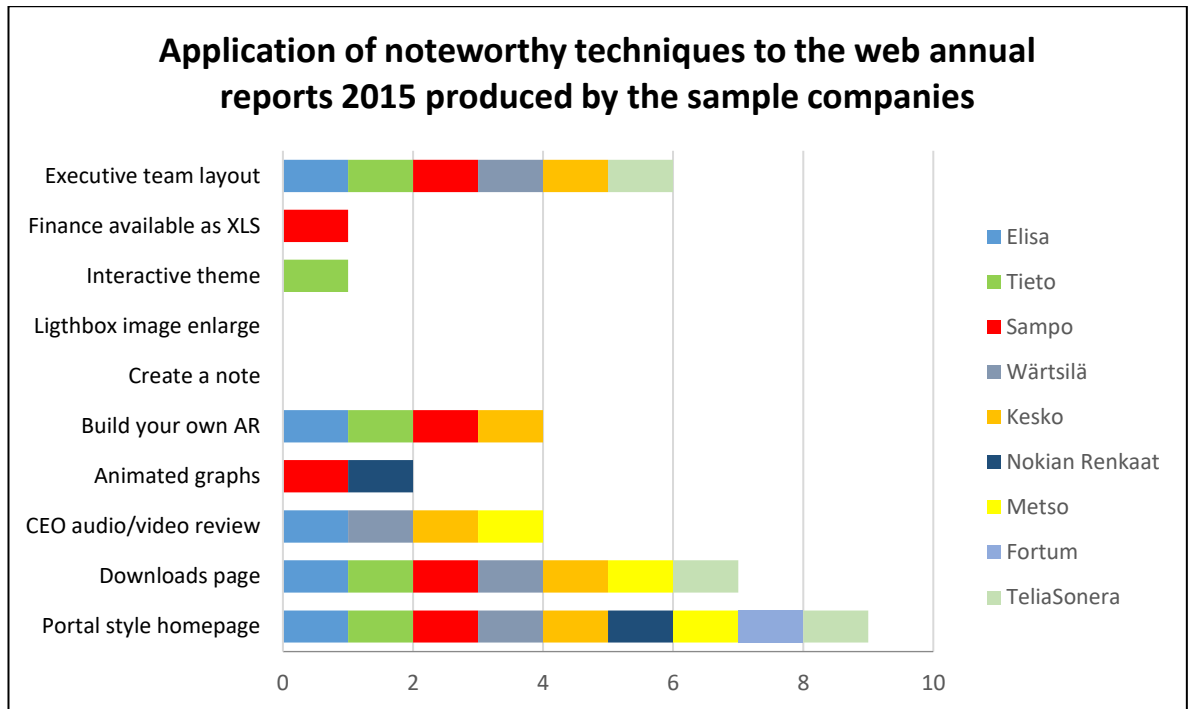


Figure 12. Application of noteworthy techniques to the web annual reports 2015 produced by the sample companies.

Only two companies used the techniques that may cause frustration of investors and shareholders – interactive themes (one company) and animated graphs (two companies). Two of the three neutral techniques (possibilities to make notes and enlarge images) were not used at all, while building own PDF file was possible in four out of nine reports.

6.5 Design solutions in interactive annual reports of the sample companies

Another variable that was measured was the application of the current trends in digital design (as discussed in subchapter 4.5.2) to the HTML annual reports and reviews. Just as when measuring the previous variable, only nine reports were studied, since only nine companies produced annual reports in HTML format. The results in detail can be seen in Appendix 6.

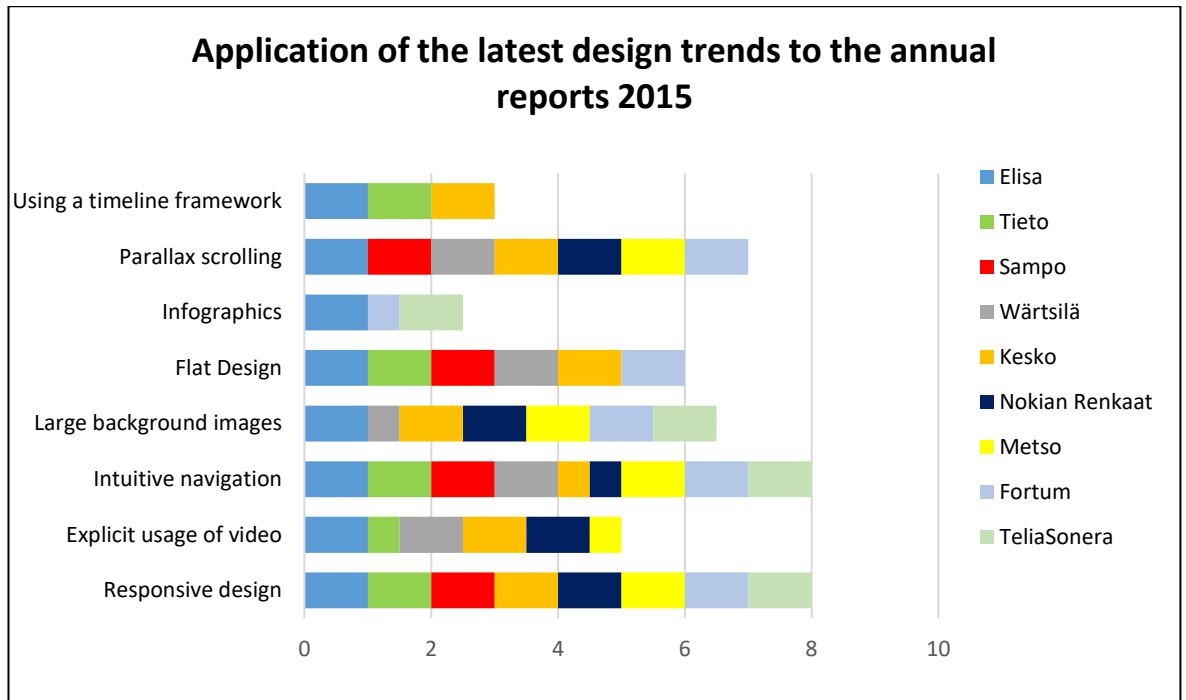


Figure 13. Application of digital design trends to the online annual reports 2015 of the sample companies

As it can be seen from the Figure 13, Elisa had used all of the identified trends in digital design in their digital annual report 2015. Such design solutions as responsiveness and intuitive navigation are more of a prerequisite nowadays for corporate websites than an additional feature. Mostly all of the reports were responsive (8 out of 9), and all of them were easy to navigate through. Since Kesko produced an integrated annual report than includes loads of information, navigating through it was slightly more difficult than navigating through other reports, hence it was given only half a point. For some reasons, Nokian Tyres' annual review also required some time to understand how to navigate through, which resulted in half a point for this criterion as well.

Videos were integrated into six out of nine reports. In five cases, it was CEO statement that was embodied into the report as a video. Three companies (Elisa, Wärtsilä, and Kesko) had sustainability videos embedded into their reports in addition to video CEO's statements. Nokian Tyres did not have CEO's statement in a video format, but they used video as a background image. The sustainability and background videos would most likely not be considered as valuable by investors and shareholders, as they provide no valuable information (sustainability videos are considered as marketing materials by investors, as revealed in the research by Financial Reporting Lab 2015, 14).

Only three companies (Elisa, Tieto and Kesko) used timeline framework to report about the past year events in their HTML annual report. Using such framework makes it easier for the reader to follow the important steps that a company had implemented throughout the reporting year, adds structure to reports. Several other companies (e.g. Neste) used this framework in their PDF reports. However, this trend was not adapted in six other interactive annual reports produced by Sampo, Wärtsilä, Nokian Tyres, Metso, TeliaSonera and Fortum.

Seven of nine sample reports had elements of flat design that add minimalism and simplicity to the reports. Other trends that were examined - using large background images (applied by 7 out of 9 companies) and parallax scrolling (applied by 7 out of 9 companies) are design features that do not provide any value to investors and shareholders when browsing the report.

Infographics, a technique that has been very popular in the past years in internet general and social media in particular due to its ability to simplify information and communicate complex visually and in an easy to remember way, for some reasons was used only in Elisa's, TeliaSonera's and slightly in Fortum's annual reports for 2015.

6.6 Technologies in PDF documents

As it was discussed in subchapter 4.7.4, modern PDF files allow to integrate technology solutions that also increase "searchability" and facilitate navigation through the documents. The results of measuring this variable are illustrated on Figure 14. Since all 25 sample companies produced a PDF annual report for the year 2015, 25 reports were studied to measure this variable.

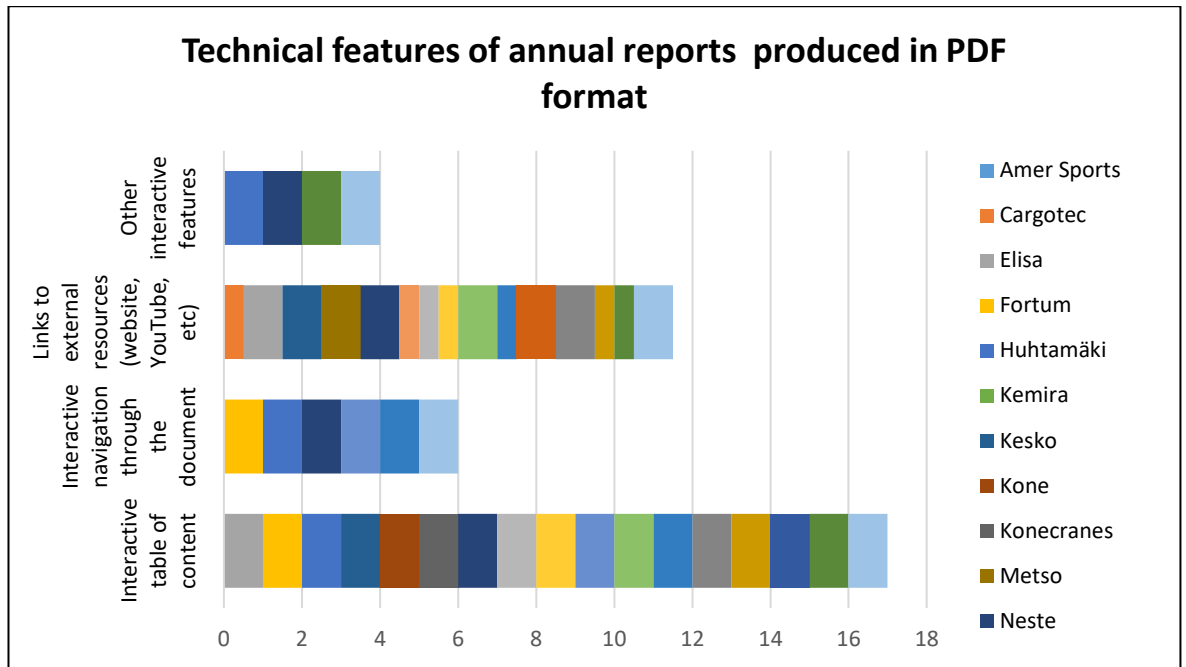


Figure 14. Technical features of annual reports produced in PDF format by sample companies for reporting year 2015.

As it can be observed from Figure 14, only six companies added navigation bars to the pages of their PDF annual reports, even though this feature would greatly facilitate navigation through the document and as suggested in Financial Reporting Lab's report (Financial Reporting Lab 2015, 10) is appreciated by investors. 17 out of 25 companies had interactive table of content (that also facilitates navigation through the document greatly).

There were 15 companies that produced annual reports that contained external links to videos on YouTube, corporate websites, or even external internet websites. Whether this solution is valued by investors or not is discussed in subchapters 7.2.6, as well as integration of other interactive solutions.

6.7 Integrated Reporting among Finnish companies in 2015.

As it was discussed in subchapter 4.6, Integrated Reporting Framework is a major global trend in corporate reporting. Even though there are no such legal requirements in Finland, there are companies that have already started adapting the key principles of <IR> Framework to their annual reporting or companies that have started integrating managerial, financial, and sustainability reporting according to their own vision. This part of the research was focused on studying the degree of influence of Integrated Reporting Framework on the corporate reporting practices in Finland.

As it was specified in subchapter 5.7.6, there were 12 annual reports of the main sample that were selected for this part of the research: those produced by Neste, Elisa, UPM-Kymmene, Sampo, Kesko, Kemira, Konecranes, Fortum, StoraEnso, TeliaSonera, Wärtsilä and YIT Group.

The only Finnish company that was listed among <IR> reporters in the official database of Integrated Reports' examples in 2016 was Kesko. Kesko's annual report 2015 was officially called an Integrated Report. In 2017, Fortum also joined the official list of Integrated Reporters, however since it was not in the list in 2015 or 2016, it was not expected that the annual report for 2015 would correspond to the Integrated Reporting Framework requirements. The report of YIT group was positioned as a report prepared under the Integrated Reporting Framework even though YIT was not mentioned on among the official <IR> reporters.

Other companies published their reports with no reference to Integrated Reporting framework, though it does not mean that the guiding principles were not taken into account, and during the research the evidence of the opposite was identified: e.g. without any reference to the <IR> framework, three companies of the sample that had no reference to <IR> framework in their reports (Kemira, Stora Enso and TeliaSonera) used the six capital model in their annual reports 2015. The six capital model is an <IR> tool and an indicator of integrated thinking according to the IIRC (IIRC 2016).

The results of the study are presented in Table 6. As it can be observed from the table, the scores that were attributed to the reports produced by the companies turned out to be quite high. The companies' scores ranged from 5,5 (Sampo) to 10 (UPM and Kemira) with an average of 7,8 points (out of 10 points possible).

The reason for such high result is the approach to the sample selection. The reports that seemed to be diverse and covering different topics at the first glance were selected to be examined for this part of the study. The purpose of such sample selection was to find evidence of corporate reporting practices shifting towards integration, and that it happens not only under the <IR> Framework.

Another reason of studying this variable was that as discussed earlier in subchapter 4.6.4, <IR> framework was developed basing on the needs and expectations of investors, and its guiding principles correspond with the needs of the primary target audience of annual reports.

Table 6. Application of the Integrated Reporting principles to the annual reports 2015 by the companies of the sample

Company	Business Activities explained	Value creation Process	Business resources explained	Operating context incl- risks and opportunities	Governance and Remuneration	KPI	Strategy	Stakeholder approach	Human Resources	Suppliers	comments	Score
Elisa	yes	no	yes	yes	yes	no	yes	no	yes	yes		7
Fortum	yes	yes	yes	yes/no risks	yes	no	yes	yes	yes/no	on website		7
Kemira	yes	yes		yes	yes	yes	yes	yes	yes	yes	6 capital n	10
Kesko	yes	yes	yes	yes	yes	yes	yes	slightly	yes	yes		9.5
Konecranes	yes	yes/no	no	yes	yes	no	no/yes	yes	yes/no	yes		6.5
Neste	yes	no/yes	yes	risks explained	yes	principles explained	yes	yes	yes	yes		8
Sampo	yes	no/yes	no	Risk management	yes	no	yes	no	yes	slightly		5.5
Stora Enso	yes	yes	yes	yes	yes	no/yes	yes	yes	yes	slightly	6 capital n	8
TeliaSonera	yes	yes	yes	risks explained	remuneration is missing	no	yes	yes	yes	yes	6 capital model	8
UPM	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes		10
Wartsila	yes	no/yes	no/yes	yes	yes	no/yes		yes	yes	yes		7.5
YIT	yes	yes	yes	yes	remuneration is missing	yes	yes	yes/no	no	only in GRI part		7

Since the trend is quite new and has only started to spread in the recent years, it is not expected that the principles of <IR> are as much applied in the reports of other Finnish listed organizations or producers of annual reports. However, such high results indicated that the <IR> framework is well known among the investor relations practitioners in Finland. Moreover, basing on the received results, it can be expected that the application of the principles of the framework in question will continue to expand and become adapted (if not adapted yet) by other Finnish companies producing annual reports.

6.7.1 Explaining value creation processes and business resources

Each of the reports of the sample had the business activities' descriptions included, however, only seven of the companies (Fortum, Kemira, Kesko, Stora Enso, TeliaSonera, UPM and YIT) explained the value creations process – how a company transforms the resources that it has into final products and value to the society (Figure 15).

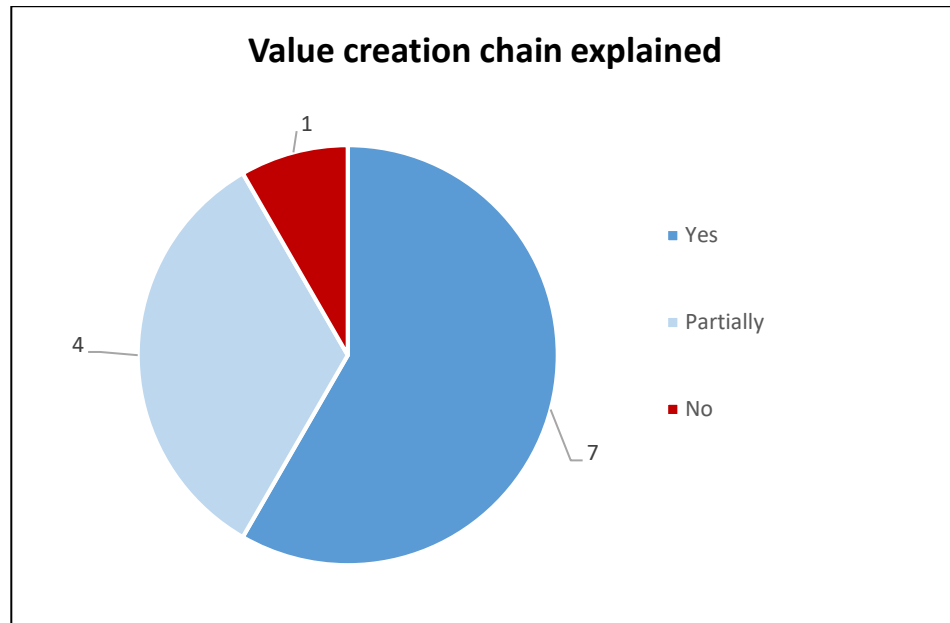


Figure 15. Explanation of value creation chain in annual reports of the companies selected for the sample

The six capitals model (explained in subchapter 4.6) is an <IR> guideline for the companies to report on how they create value. Kemira, Stora Enso and TeliaSonera applied the model very precisely. Fortum, Kesko, UPM and YIT modified the model to serve their own needs better. E.g. UPM went even further and described the value creation processes for each of their businesses in detail; Kesko and Fortum used only five capitals in their model, though described those very well; YIT used only three capitals, though applied them to each business segment. The example of YIT demonstrated that even using such model with only three variables is a very useful tool to explain the company's activities, the outputs of those activities and how they impact the environment and society. Correspondingly, the seven companies that applied the six capitals model or its variation to reporting of their value creation processes also explained very clearly the business resources that are used.

The other five companies (Elisa, Konecranes, Neste, Sampo and Wärtsilä) did not illustrate the value creation process as clearly as the six capitals model would allow, though in the Konecranes's report it is possible to trace the value creation chain quite effortlessly, in the reports of Neste, Sampo and Wärtsilä it requires some effort, whilst in Elisa's report the value creation process is not described at all. However, Elisa and Neste explained their business resources very clearly. The reports of Sampo and Konecranes lack this explanation as well.

6.7.2 Megatrends, operating environment, business risks and opportunities

Operating environment was quite well described in all the reports produced by the companies of the sample. However, two companies did not assess the risks and opportunities that arise for the company because of changes and dynamics in external environment, as it is recommended by the <IR> Framework, hence they were given 0,5 point (Fortum and Sampo). The results are illustrated in Figure 16.

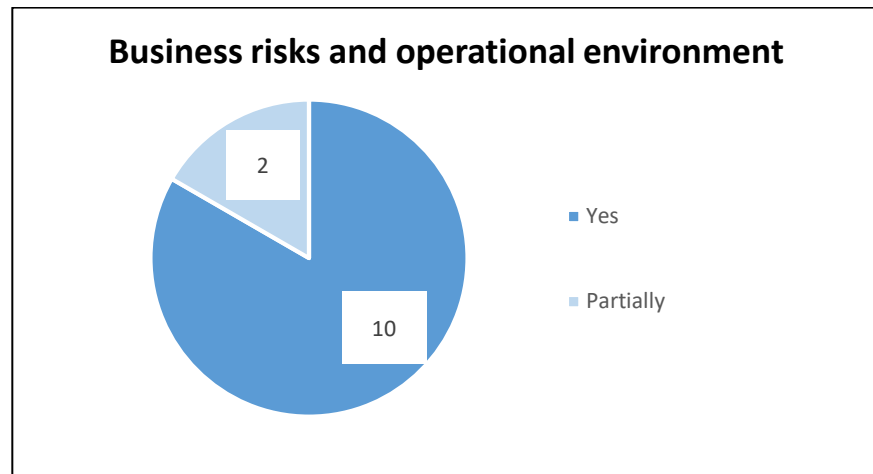


Figure 16. Explanation of operational environment and risk assessment in annual reports of the companies selected for the sample

Seven of the sample companies used the concept of “megatrends” to point out the key trends in their business industry and global economic developments that have effect on their business activities. Kesko, Stora Enso and UPM used the megatrends to illustrate the risks and opportunities that they bring to their companies and report on what is being done to take advantage of the opportunities and minimize such risks. Kemira presented their risks and opportunities using a similar approach, though without using the “megatrends” concept. Elisa, Fortum, Neste, and Konecranes also identified the megatrends that affect their businesses, but the risks and opportunities were discussed separately from megatrends in the annual reports that were produced by those companies.

YIT also identified the “trends and drivers that guide our (YIT’s) strategic thinking”, and clarified how the company is reacting to the changes in the external environment.

Out of the 12 sample companies, it was only Fortum who did not explain their risks specifically, even though the overview of the environment was very well presented. As a result, Fortum was not given the highest score. Wärtsilä, Sampo, and TeliaSonera described the

main risks rather well, however these companies did not include information on the particular actions that the companies take in order to mitigate those risks.

Sampo explained the risks quite well and precise, however no operational environment overview was included into the report. Hence, the company was given only 0,5 point.

6.7.3 Strategy, KPI, Governance and remuneration

The results of measuring disclosure on the strategy, KPIs and corporate governance and remuneration are presented in Figure 17.

All of the sample companies presented their strategy in the annual report. However, the depth of the strategy disclosure significantly varied from report to report. Some of the companies only mentioned one or two key cornerstones of the strategy, whilst others described in detail operational targets and in some cases, even KPIs for each of the businesses (Kemira, Kesko, UPM, YIT).

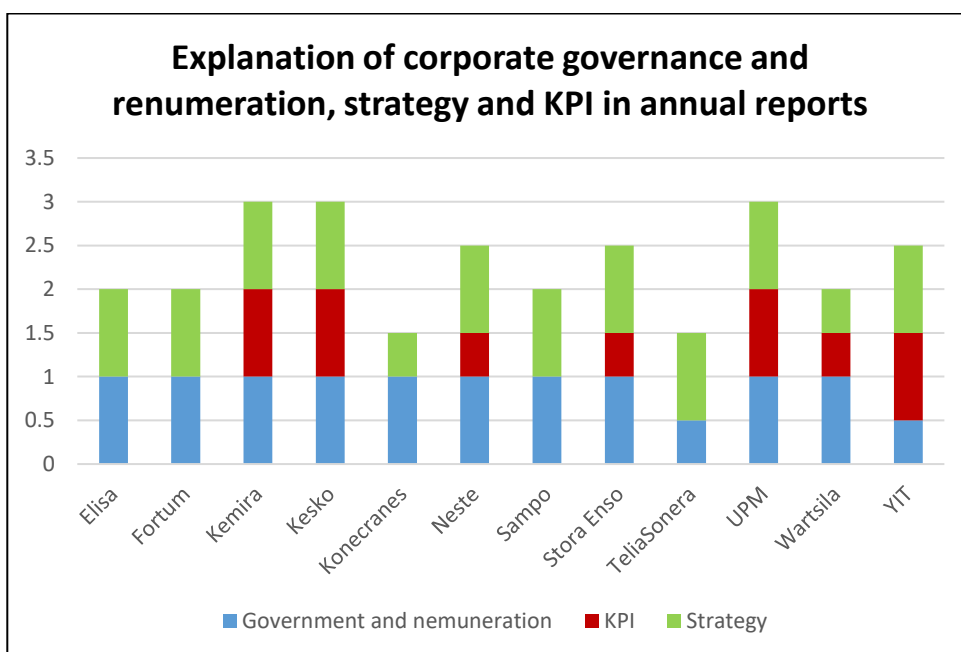


Figure 17. Explanation of corporate governance and remuneration principles, strategy and KPIs in annual reports of the companies selected for the sample

Three companies (Neste, Wärtsilä and Stora Enso) disclosed the principles behind their KPIs, but not the indicators themselves. Five companies (Elisa, Sampo, Fortum, Konecranes and TeliaSonera) did not disclose the KPIs.

Corporate governance and remuneration statement were published as separate reports by three out of 12 companies (Fortum, Stora Enso and Wärtsilä). Those reports were comprehensive and precise. TeliaSonera and YIT did not include much information on remuneration in their reports, however the corporate governance mechanisms were described quite precisely. The other six companies of the sample had both corporate governance and remuneration statements included into the annual report.

All in all, as it can be observed from Figure 17, there were only three companies that disclosed thorough information regarding all of the three topics. Both strategy and corporate governance & remuneration principles were disclosed by all 12 companies either comprehensively or briefly, however, it was the KPI disclosure that was missing from five reports.

6.7.4 Stakeholder approach

As it can be observed from Figure 18, eight out of 12 companies (Fortum, Kemira, Konecranes, Neste, Stora Enso, TeliaSonera, UPM and Wärtsilä) clearly defined their key stakeholder groups in their report. Moreover, these companies clearly explained how their activities influence each of the stakeholder groups. Also, very importantly, these companies emphasized the importance of having a dialogue with the key stakeholders and described how they interact with them and listen to their needs.

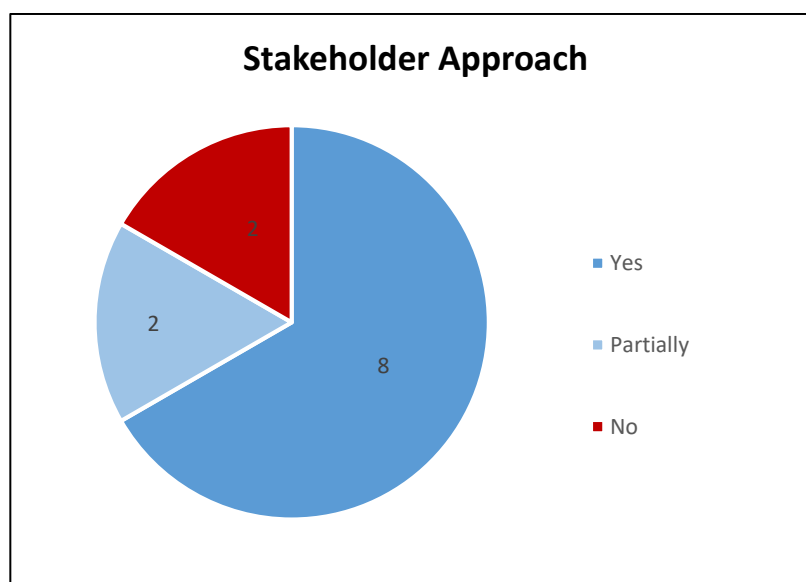


Figure 18. Stakeholder approach to information disclosure in annual reports of the companies selected for the sample

Two companies (Kesko and YIT) also used the stakeholder approach in their reports; however the interaction with their stakeholder groups were not as clearly described and emphasized as it was by the companies from the previous list.

Two other companies (Elisa and Sampo) did not use the stakeholder approach in their reports. Even though the key stakeholder groups were mentioned in one way or another in their reports, there were no clear linkage between the business activities of the companies and the effects that they have on their stakeholders. Neither the importance of having a dialogue with their stakeholders was emphasized in the report.

6.7.5 Human resources and employee relations

All of the reports of the sample included the basic information about the human resources policies and employee relations practices, except for one report (produced by YIT) as illustrated in Figure 19.

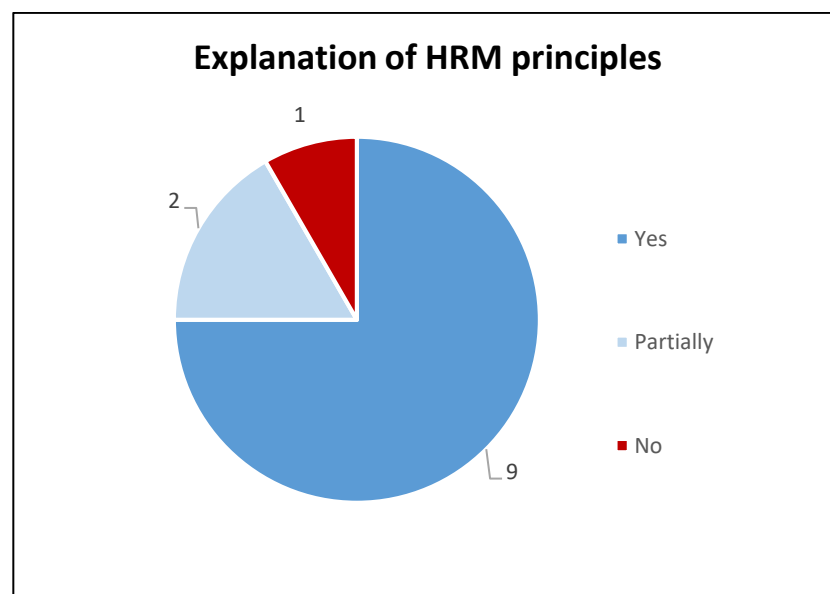


Figure 19. Explanation of the HRM principles in annual reports of the companies selected for the sample

In YIT's annual report, there was one page with several infographics that was dedicated to that topic that does not really allow building an understanding of the principles and policies of YIT in the matters of human resources management. In addition, from the business model that was presented in the report and the value creation chain it was very clear that the focus of the company is to serve the needs of the customers and to create value for shareholders, and the importance of employee relations was deemphasized.

At the other end of the curve of human resources reporting were nine companies (Elisa, Kemira, Kesko, Neste, Sampo, Stora Enso, TeliaSonera, UPM and Wärtsilä). The reports of these companies illustrated that the development of the skills and wellbeing of their personnel is very important and that the companies invest in their employees. Some good examples included helping to pay tuition fees for the children of the employees (Kesko), community engagement in rural areas of the developing countries (Stora Enso, Kemira), organizing possibilities for continuous education in provinces of Uruguay (UPM), and others. Many companies described the internal leadership programs they organize to develop managerial skills among their employees (e.g. UPM, Kemira, Neste, and some others).

Two other companies (Fortum and Konecranes) reported on their employee management and development programs and principles, but not as in-depth as the companies from the previous list.

6.7.6 Disclosure on suppliers and supply chain management

All of the sample reports included disclosure of the supply chain and principles of the company's choices of the supplying counterparties to some extent (Figure 20). However, the disclosures of YIT, Sampo, and Stora Enso were not as comprehensive as those prepared by the other seven companies.

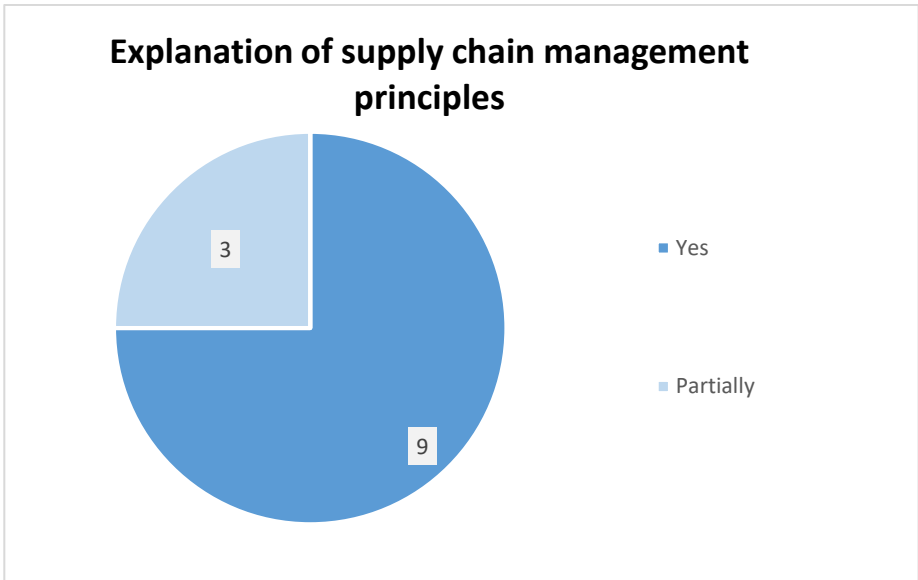


Figure 20. Explanation of supply chain management principles in annual reports of the companies selected for the sample.

E.g., UPM has a Supplier code, and their target for 2030 is to ensure that 100% of their raw materials come from the suppliers that qualify against this code. There were several

pages dedicated to the importance of choosing responsible suppliers in the annual report 2015 of UPM.

In contrast, the supply chain disclosure in annual report of YIT was limited to a paragraph in the GRI indices table. Sampo also mentioned supply chain very briefly, however it can be easily explained by several factors: firstly, due to the nature of business activities, that do not imply complex supply chains, and secondly, due to the fact that each company of Sampo group issued own annual report, and Nordea and If also issued sustainability reports, and those reports included information on the suppliers of the Sampo Group companies.

Stora Enso had quite broad disclosure of their suppliers' selection principles; however, it was not presented separately but referred to in different areas of the report. Other nine companies of the sample disclosed information on their supply chain clearly and comprehensively.

Fortum included supply chain management information into their sustainability report, however, since it was published simultaneously with the financial and managerial annual reports, its content was also considered as a part

6.8 Sustainability reporting

Even though not mandatory before 2017, CSR reporting has been an integral element of corporate reporting for years. However, the EU Directive (2014/95/EU Directive) that is coming into force as discussed in subchapter 4.3.3, will affect some of the sample companies (large companies with over 500 employees, or over 250 employees with turnover over 40 million EUR and/or balance over 20 million EUR), and perhaps there are going to be changes in their sustainability reporting practices in the nearest future. This study was carried out before the new legislation came into force, thus it is important to keep in mind that all the CSR disclosure in 2015 by the sample companies was completely voluntary (unless a company was a member of UN Compact Global, as discussed in subchapter 7.4).

The main sample of this research (25 OMXH25 companies) was taken to study application of GRI framework, usage of sustainability indices, materiality analysis and external assurance of sustainability disclosure among the sample annual reports. The detailed results of the study are presented in Appendix 9.

6.8.1 Application of GRI G4 framework

The research showed that there were only two out of 25 sample companies that produced their reports without any reference to GRI framework: Sampo and Orion. Orion stated on their website that they have decided not to follow the GRI framework in their disclosure for 2015 (they did comply with the framework in previous years), whilst Sampo's report simply has no reference to the framework.

Other 23 companies produced their annual reports (or separate sustainability reports) in accordance with either core or comprehensive principles of the GRI G4 framework, which has turned out as a rather high rate. Basing on these results, it can be concluded that reporting in accordance with GRI G4 framework is considered as a standard for good reporting practice in Finland.

6.8.2 Other sustainability reporting frameworks and sustainability indices

One of the most popular sustainability frameworks other than GRI G4 that companies referred to in their annual disclosure was United Nations Global Compact. 19 companies of the sample are the signatories of the UN Global Compact.

UN Global Compact is an initiative that promotes ten principles of Human Rights, Labour, Environment and Anti-Corruption as cornerstones of responsible and sustainable business practices. The important aspect is that all signatories of the initiative must communicate on progress annually, and many companies do it through their annual and/or sustainability reports.



Picture 10. List of sustainability indices from UPM's annual report 2015

Companies also included popular sustainability into their annual or sustainability report. The most referred to indices were CDP Nordic Disclosure Leadership Index (Climate disclosure leaders), FTSE4Good Index, RobecoSAM Sustainability awards and Dow Jones Sustainability Indices. It was observed that the companies that have the highest ratings (e.g. rating A in CDP Climate Change) mentioned the indices in their sustainability disclosure (Kesko, UPM, Fortum, Stora Enso, Valmet, Neste), whilst those who have slightly lower ratings prefer not to emphasize that. As illustrated on Picture 10, UPM had six sustainability indices in their annual report 2015.

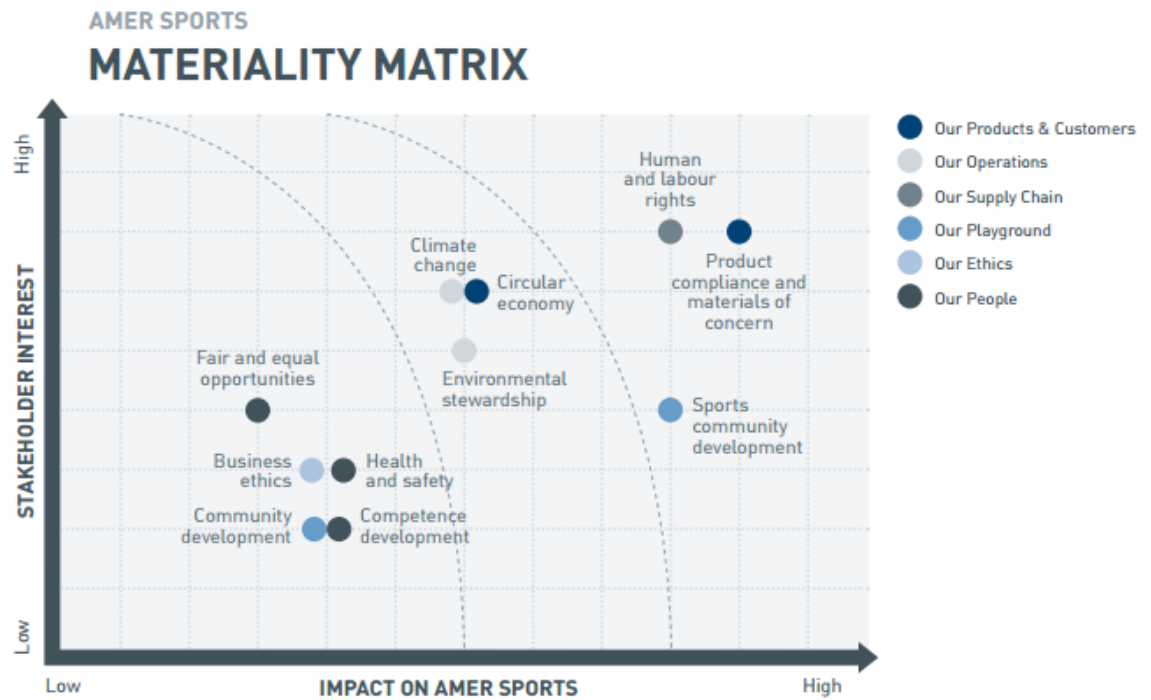
However, this variable was not measured properly and thus not reflected in the research matrix. The variable was not quantified because the sustainability ratings of companies reflect their CSR policies and not directly related to reporting practices, hence out of the scope of the study.

6.8.3 Materiality of sustainability disclosure

The results of the study proved that in order to justify the inclusion or exclusion of particular sustainability topics into annual disclosures, materiality analysis is usually included into the report. One common way to illustrate the materiality analysis is materiality matrix. Materiality matrixes for each industries have been researched and developed by RobecoSAM, an investment specializing company with the focus on sustainability investing. Seven of the 25 sample companies included materiality matrix into sustainability disclosure 2015.

The materiality matrix that was included into CSR report 2015 by Amer Sport (Picture 11) clearly illustrates different topics related to responsible business practices that are considered important by Amer Sports and by their stakeholders. The attribution of the topics according to the level of stakeholder's interest is usually based on the result of the stakeholder dialogue.

As a result of the analysis of the sample annual and sustainability reports, it has turned out that seven companies of the sample included materiality matrix into their reports, ten companies had materiality analysis in other various forms (graphics, texts, tables) and eight companies did not justify the selection of the topics to be covered in their sustainability disclosure at all (Figure 21).



Picture 11. An example of a materiality matrix that was included into CSR report 2015 by Amer Sports

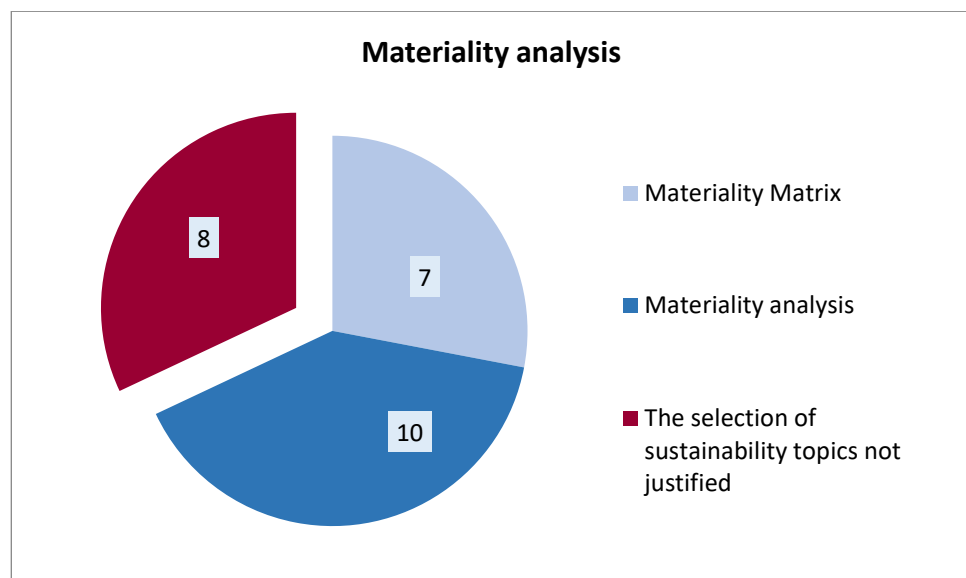


Figure 21. Materiality analysis of topics included into sustainability disclosure of the sample reports

As it could be seen from Figure 21, the materiality of topics included into sustainability disclosure was justified by materiality analysis in 17 cases out of 25 (68%). All in all, it can be concluded that including materiality assessment into sustainability reporting is a practice that is commonly used.

6.8.4 External assurance of CSR reporting (credibility)

The study showed that 20 out of 25 sustainability reports of the sample were externally assured by a third party, and only five reports were not externally audited, as demonstrated in Figure 22.

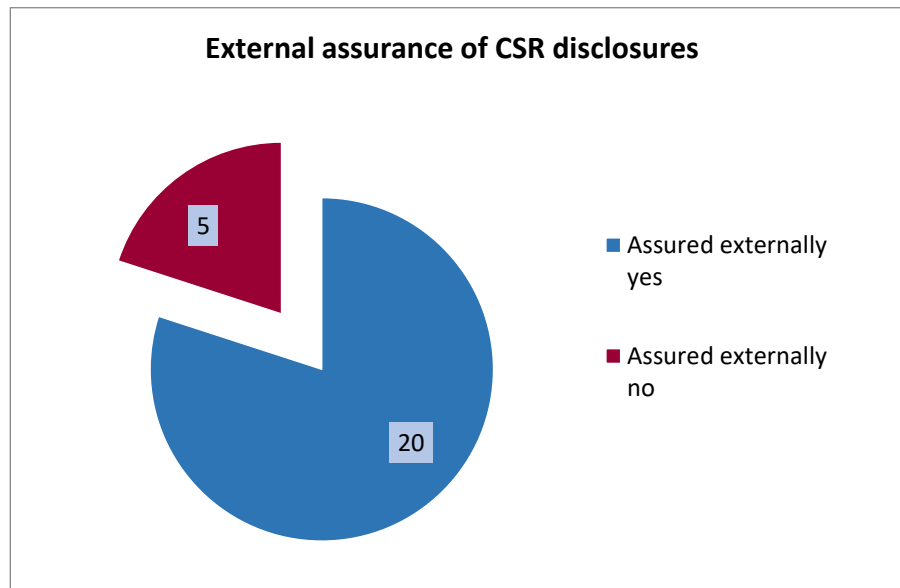


Figure 22. External assurance of sustainability disclosure by sample companies

However, the scope of such external assurance varied from case to case, E.g. in the case of Neste, the scope of the assurance was limited to ensuring “congruence between the Finnish and English versions’ numerical sustainability information by an independent third party” (Neste 2016, 52).

In other cases, the external auditors assured whether the frameworks (e.g. GRI G4 framework) was followed precisely, e.g. Outotec’s sustainability report that was assured by Insinööritoimisto Ecobio Oy for compliance with GRI G4, CSR elements of Wärtsilä’s annual report 2015 were assured for adherence with GRI G4 by KPMG, etc..

However, some other frameworks were used: e.g. UPM’s sustainability disclosure was assured by PwC for compliance with AA1000 Accountability principles; Kone’s sustainability report 2015 was assured by Mitopro Oy for compliance with Greenhouse gas emissions inventory data (GHG emissions) including scope 1 and scope 3 of the corresponding Protocol.

Thus, it can be concluded that external audit of sustainability disclosure is a common practice among Finnish publicly traded companies; on the other hand, there are no specific standards regarding the scope of such assurance.

6.9 Timing in financial reporting

The majority of the companies of the sample published their financial statements first, and only after a while published their annual reports for the year 2015. Figure 23 below demonstrates the number of financial statements and number of annual reports that were published within the specified time period (subchapter 5.9 justifies why the periods were divided as such). The amount of working days that it took each company to produce and publish both the financial statements and the annual report (if published separately) is illustrated in Appendix 10.

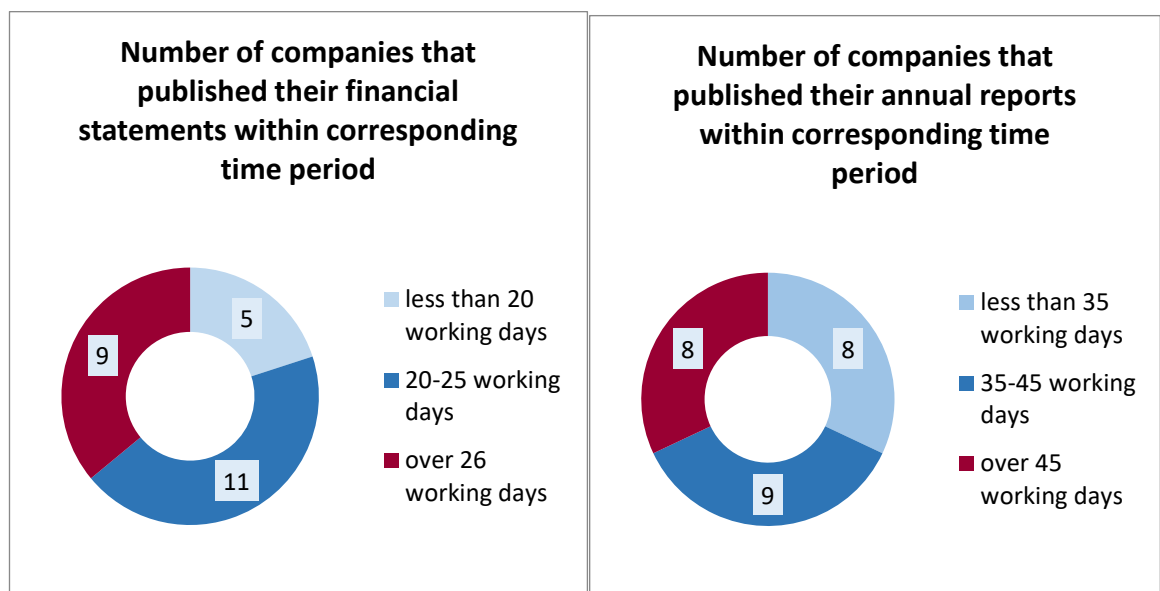


Figure 23. Time periods between the end of reporting period and publication of financial statements (on the left) and annual reports (on the right) for the year 2015 by sample companies.

Kone and Orion were the companies that published their annual reports first (18 and 21 days correspondingly), however, their annual reports did not include anything but financial statements.

There were two companies (Wärtsilä and Outokumpu) that managed to publish their annual reports within 26 and 27 working days correspondingly, and those reports included managerial, financial, and sustainability disclosures. Other comprehensive annual reports were published later than 30 working days after the end of the reporting period.

The last company of the sample to publish an annual report (64 working days) and the second last (28) to publish their financial statements was the same company; however, it can be justified by the ongoing significant change (Nokia's acquisition of Alcatel Lucent) that took place at the end of reporting period.

6.10 Future orientation of narrative disclosure

As it has been described in the subchapter 4.1.6, investors and shareholders are looking for future-oriented insights regarding the company's strategy from annual reports' narrative disclosures.

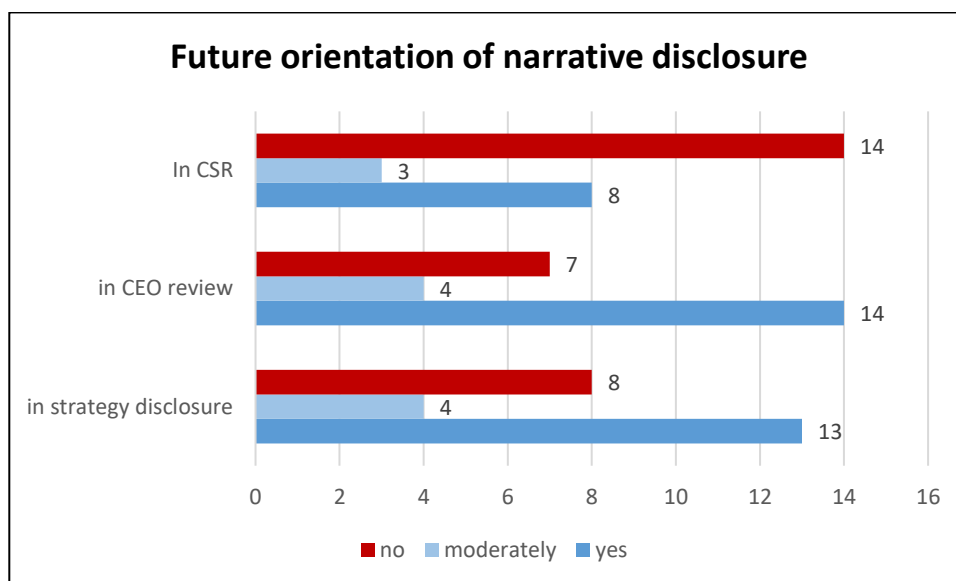


Figure 24. Future orientation of annual reports' 2015 elements of the sample companies

The results of careful examination of the CEO's statements, sustainability and strategy disclosures in annual reports 2015 of the 25 sample companies are presented in Appendix 11. Figure 24 illustrates, that CSR disclosure was future-oriented only in 11 out of 25 cases, CEO's statements contained elements of future-orientation in 18 cases, and strategy disclosure was future-oriented at least to some extent in 17 cases. Thus, it can be concluded that CEO's reviews and strategy disclosures tend to be future-oriented.

Figure 25 (next page) demonstrates, that there were two annual reports with no future orientation in any of the studied chapters of the reports: neither in CEO's statement, nor CSR, nor strategy disclosure. At the same time, there were five companies, whose reports

were future-oriented in all three of the above mentioned sections and three more companies that were future-oriented in two of the sections and had some elements of future-orientation in the third section.

Overall, 19 of the reports had at least one future-oriented section in their annual reports, and there were only two companies that only focused on the disclosure of the results of the reporting period with no elements of future orientation in their reports.

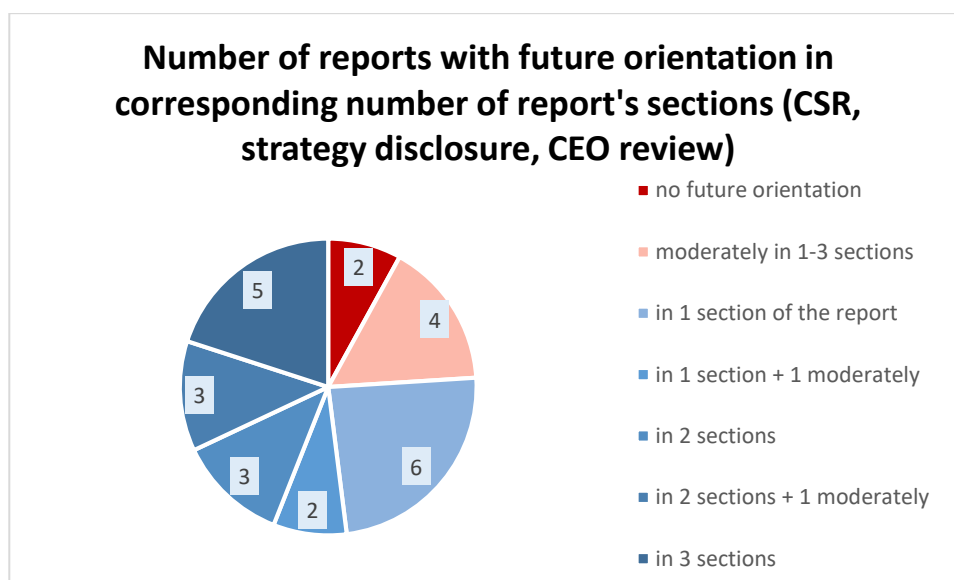


Figure 25. Number of sample annual reports with future oriented content in corresponding number of sections.

Summing up the results of measuring this variable, it can be concluded that the majority of the sample companies understand that the main target group of annual reporting expect future-oriented strategic information to be included into annual reports and fulfil their expectations.

6.11 Summary of the research findings

The results of the analysis were briefly presented in previous subchapters, however, no conclusions have been presented yet. To summarize the results of the analysis, this subchapter includes a list of the most important findings of the research.

1. Some of the sample companies produce HTML reports, however in the majority of cases, it was not comprehensive annual reports in HTML format, but **annual reviews** that included the highlights of the previous years and links to PDF annual report (or a series of reports). The content of such annual reviews was **marketing-oriented**, and not providing valuable information for investors.

2. Few companies produce a **single report**, many tend to issue a number of publications.
3. Few of the sample PDF reports had **navigation bars** on their pages.
4. The **technological and design solutions** of both HTML and PDF reports were not always chosen with the needs and expectations of primary target audience (investors and shareholders) in mind (usage of marketing videos with no transcripts, distractive animated elements, complex multi-level menus).
5. Even though most of the companies **voluntarily** disclose strategic and sustainability information, **not always the disclosed information was valuable for investors and shareholders**. Some of the reports were focused on past performance, no strategic information regarding future plans and developments were included into the reports. Risks assessment and actions that are taken to mitigate those risks were not covered in all of the reports and KPIs were not disclosed or explained in the many reports. (Risk assessment, KPI and strategic objectives, as well as future-oriented narratives are the topics of the most interest for investors as explained in chapter 4).
6. Even though there were quite few references to **<IR> framework** in the sample reports, some useful developments that the framework offers were used by a number of the companies of the sample.
7. **Sustainability** disclosure was **published by all** of the sample companies. Prevailing majority of the reports used **GRI G4** framework that increases comparability of the disclosed information. External assurance and materiality assessment of sustainability reports have proven to be a common practice. This factors increase the value of sustainability disclosure for investors.
8. It took from 18 to 64 working days for the companies to produce annual reports, and only five companies managed to publish annual reports within 30 days. On the other hand, there were 8 companies that published annual reports later than 45 days after the end of reporting period (ideally, the annual reports are expected to be published within 15-30 days (ACCA 2013c, 10)
9. The study of future-orientation of the narratives in annual reports revealed that **most of the companies had future-oriented content** at least in some sections, which means, the companies recognize that such future-oriented content is expected by the key target audience – investors and shareholders.

The analysis revealed that the degree of how well the needs and expectations of investors were met varied from report to report. The next chapter provides more in-depth discussion and recommendations basing on the key findings of the analysis.

7 Discussion and recommendations

This study was focused on annual reporting as a tool to strengthen corporate reputation among investors and shareholders by providing the information that they are seeking and fulfilling their needs and expectations regarding the format and content of the reports.

Fombrun (1996, in Roper and Fill 2012, 5) defined reputation as “net perception of a company’s ability to meet the expectations of all its stakeholders”. The quality of reporting has a clear linkage with the quality of management in the perception of investment professionals and proper annual disclosure can directly impact a company’s cost of capital (PwC 2014, 19).

The growing complexity of reporting requirements that comes from the market regulators and authorities creates significant external pressure for the companies that need to comply with the new legislation, meet the expectations of the primary target audience of annual reports (investors and shareholders), and at the same time keep the reporting concise, material, well-structured, and accurate.

The external stakeholders expect the results to be disclosed **fast** and in a **high-quality** manner; in addition to the high requirements towards the quality of the content, the reports are expected to be delivered using the modern **technological solutions** and in accordance with the rapidly changing trends of **digital** design.

The growing complexity of reporting and the tight external deadlines result in higher internal pressure. Changes in regulatory requirements result in the need to optimize internal reporting mechanisms and set even tighter internal deadlines. However, by demonstrating their ability to produce annual reports in a timely manner, the companies demonstrate efficient internal governance mechanisms and ability to perform well under pressure.

As it was discussed in subchapter 4.3.1, annual reports 2016 of the sample companies were also studied in order to observe the trends and developments of corporate reporting practices among Finnish companies. The findings that were presented in chapter 6 are discussed with consideration of the analysis of annual reports 2016 (in addition to consideration of the findings of document analysis and literature review) in this chapter.

The results of the study revealed the strong and weak areas of the annual reports of the 25 top-traded companies at the Helsinki Exchange in terms of fulfilling the needs and expectations of investors and shareholders. In this chapter, the results of the research are

analysed and several ideas to improve the reports to suit the needs of the primary target audience better are presented.

Firstly, an interesting trend that was observed during the research regarding the consistency of the reporting practices by sample companies is presented. After that, the formats of the annual reports are discussed, and that is followed by the discussion and some recommendations regarding the techniques and design solutions that may facilitate user experience of the primary target audience.

The recommendations regarding the content of voluntary disclosure are provided afterwards, since the analysis revealed that there were very few companies that provided the information that would comply with the needs of the investors. Those recommendations are followed by the discussion of the issues regarding compliance with <IR> framework and recommendations regarding timeframe of the disclosure.

7.1 Consistency in formats, structures and contents of annual reports

An additional research that was carried out because the timeline of the project allowed showed that 23 out of the 25 sample companies issued annual reports 2016 using the same formats as they did for reporting the results for the year 2015. The exceptions were Stora Enso and YIT - these companies added an HTML annual review to the comprehensive PDF reports they used to produce for the previous years. This change emphasizes the growing trend of such reporting format: a combination of a comprehensive PDF annual report and an HTML annual review focused on the highlights of the past year. The links embedded to annual review website (as it is an HTML) link those highlights to other sources of information – a corporate website or the corresponding PDF report. This format (online annual review) will be discussed further on in subchapter 7.2.1.

In addition to consistency in terms of formats, there were many similarities between the structures of the majority of reports produced by the same company for consequent years 2015 and 2016. The comparison of tables of contents between the annual reports 2015 and 2016 produced by YIT is presented on Picture 12 and it demonstrates that even though the reports had different major themes (“more city” and “more life”), their structure is quite similar.

CONTENTS (2016)

2	Konecranes in a snapshot
4	2016 highlights
6	CEO's letter
8	Company narrative
9	Konecranes and MHPS
10	Business environment
12	Business Area Service
15	Business Area Equipment
18	Regional fact & figures
19	Research & Development
22	Core of Lifting
24	Product overview
27	Corporate responsibility
36	GRI content index
38	Corporate Governance
46	Risk management, internal control, and internal auditing
54	Board of Directors
56	Group Executive Board
58	Senior Management

CONTENTS (2015)

2	Konecranes in a snapshot
4	2015 highlights
6	CEO's letter
8	Chairman's letter
10	Company cornerstones
12	Business environment
14	Business Area Service
17	Business Area Equipment
20	Regional overview
22	Research & Development
25	Product overview
28	Corporate responsibility
36	GRI content index
38	Corporate Governance
46	Risk management, internal control, and internal auditing
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56	Group Executive Board
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Picture 12. Comparison of tables of content of non-statutory part of annual reports 2015 (on the right) and 2016 (on the left) produced by Konecranes (Konecranes 2016)

Picture 12 illustrates that the structures of non-statutory parts of annual reports 2015 and 2016 produced by Konecranes are almost identical. The few differences are caused by the major acquisition of Terex's Material Handling & Port Solutions (MHPS) by Konecranes that was finalized on the January 4th, 2017 – thus, a whole new chapter of the annual report 2016 (Konecranes and MHPS) is dedicated to this strategic step. In addition, another chapter – Core of Lifting – was added to the year's 2016 report that is dedicated to the ideology and the core business principles of Konecranes. Even though the connection between the acquisition of MHPS and this chapter is not as direct, there is still some correlation – when major mergers and acquisitions happen, it is important to show to both internal and external stakeholders that there is still the same core ideology, values and principles and that there are not going to be major changes.

Not all of the consequent annual reports are as similar as the Konecranes' case illustrated above, but overall structure of the reports is very recognizable from company to company. E.g. the amount of separate reports produced to compose an annual report was the same for the reports 2015 and 2016 of Valmet, Huhtamäki, Sampo, Nordea, Nokia, Neste and many others.

However there were some exceptions. E.g. Outokumpu enhanced its annual report 2016 quite much in comparison with the previous year. In fact, according to Verena Schulz-Klemp, Director of Sustainability at Outokumpu (Schultz-Klemp 9 March 2017), the company is moving towards integrated reporting, even though not completely in compliance with the <IR> framework.

Kone also changed their reporting structure. Instead of publishing financial statements and a sustainability report as they did for the reporting year 2015, the company produced an Annual Review 2016 in PDF format that combines financial and managerial reporting.

Another company that restructured their annual report in 2016 was Fortum. Starting from 2016, Fortum's reporting is officially in compliance with Integrated Reporting Framework. Nevertheless, just like Fortum's annual report 2015, their report for 2016 is composed of several separate PDF documents (Financial Statements, Corporate Governance Statement, Remuneration Statement, Sustainability, CEO letter, Tax footprint) and an online annual review that contains information regarding company's strategy. Just like Fortum's Annual Review 2015, Online Annual Review 2016 contains many links to other resources, such as corporate website and the other reports of the series that together compose a comprehensive annual report.

All in all, many of the sample companies use the similar structure for their annual reports every year, and this is very logical, considering the strict external deadlines and limited internal resources. However, as Simo Honkanen, SVP, Sustainability and Public Affairs at Neste, admitted at the panel discussion "Perspectives on credible non-financial and integrated reporting" (Honkanen 9 March 2017) and all other participants agreed, it is important to hold a constant dialogue with the stakeholders and adjust the content of the annual reports basing on the feedback from the shareholders.

7.2 The formats of annual reports

The research findings demonstrate that the trend of creating sophisticated HTML annual reports had reached its peak in the previous years (2013-2014) and after that started to decline among Finnish listed companies. As mentioned in subchapter 6.1, some of the sample companies have stopped producing interactive annual reports by 2015 even though they had done it in previous years (e.g. Neste, Kemira).

Basing on the findings by Financial Reporting Lab (2015, 6), HTML format of annual report is not the most preferred one by investors and shareholders for a number of reasons: lack of clear structure and boundaries, non-convenience of printing out the whole report at once, no possibility to use it offline among others. PDF annual reports, in particularly those that have facilitated navigation embedded (interactive table of contents, navigation bars, internal links) are the most preferred format (Financial Reporting Lab 2015, 7).

There were two trends identified during the research in terms of formats of annual reports. Firstly, more and more companies return to PDF format, but apply interactive elements to it: such PDF files have embedded links to external sources (videos, interviews, corporate website, other websites, etc.), facilitated navigation between the chapters and sometimes in-text references to other chapters of the report. This trend seems to be a step towards meeting the needs of investors in terms of format of annual reports, as this format of annual reports is considered most convenient to work with by investors (Financial Reporting Lab 2015, 7). Another trend is to produce interactive one-page summaries as online versions of annual reports – annual reviews.

7.2.1 One-page “annual reports” – HTML annual reviews

There was an interesting trend observed during the analysis of HTML annual reports published by the companies of the sample. A new type of hybrid reports has become a rather popular format of publishing HTML version of an annual report - an HTML annual review.

As it was briefly mentioned in subchapter 5.1.1, HTML annual reviews are rather concise reports that highlight the most important events of the year and at the same time include links to other resources: comprehensive PDF annual report, various sections of the corporate website, and even some external resources.

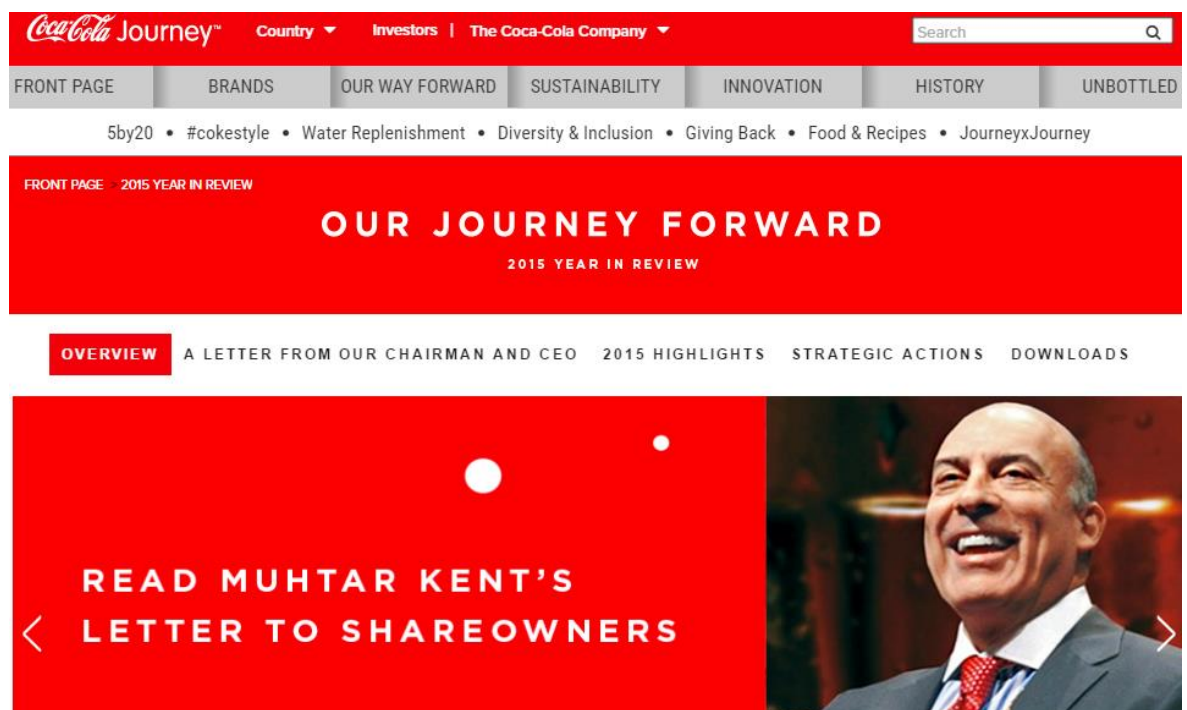
It is important to keep in mind the difference between the hybrid annual reports as they were mentioned in subchapter 4.4.2 and such HTML annual reviews. Even though HTML annual reviews may be categorized as a type of hybrid annual reports, their distinguishing feature is the linkage with both corporate website and comprehensive and independent PDF annual report.

After carrying out additional research, it was noticed that Annual Reviews as such have been in use ever since 2011-2012 and were adapted by some of the global corporations such as the Coca-Cola company, GE, as well as trendy Spotify, Airbnb, and Kickstarter. Even though the annual reviews are just one page long, the companies mentioned above

manage to embed technical solutions as parallax scrolling, animations, video storytelling and some other techniques that can engage the viewer and provide overall fascinating user experience into their one-page interactive highlights of the year webpage.

Taking a closer look at the Annual Review 2015 of Coca-Cola, it can be observed that the publication was produced a month after the official 10-K annual report. However, the Annual Review was produced and published in HTML (2015 year in a review) and a PDF annual report was produced separately.

Just as the HTML annual reviews of the companies from the study sample - Fortum, Metso and Nokian Tyres - the online Annual Review 2015 of Coca-Cola contains short extracts and links to different pages of the corporate website (as illustrated in Picture 13).



Picture 13. Screenshot from Coca-Cola's Annual Review 2015 (Coca-Cola Company 2016)

The European bottling partner of the Coca-Cola Company, Coca-Cola HBC, produced their Annual Report 2015 both in HTML and in PDF format, the latter being in accordance with the Integrated Reporting Framework. However, the online version of the Integrated Annual Report 2015 of Coca-Cola HBC contains only the highlights of the report and its structure resembles the structures of HTML Annual Reviews of the sample companies – Nokian Tyres, Metso and Fortum.

General Electrics also produced a portal that contains links to the PDF annual report and its HTML version, in addition to a PDF report “GE Integrated Summary Report 2015”, that has a purpose of showing “GE through the lens of management” to the investors (GE Integrated Summary Report 2015, 1). General Electrics produces annual disclosure in compliance with the <IR> framework and the company is listed among the official <IR> reporters.

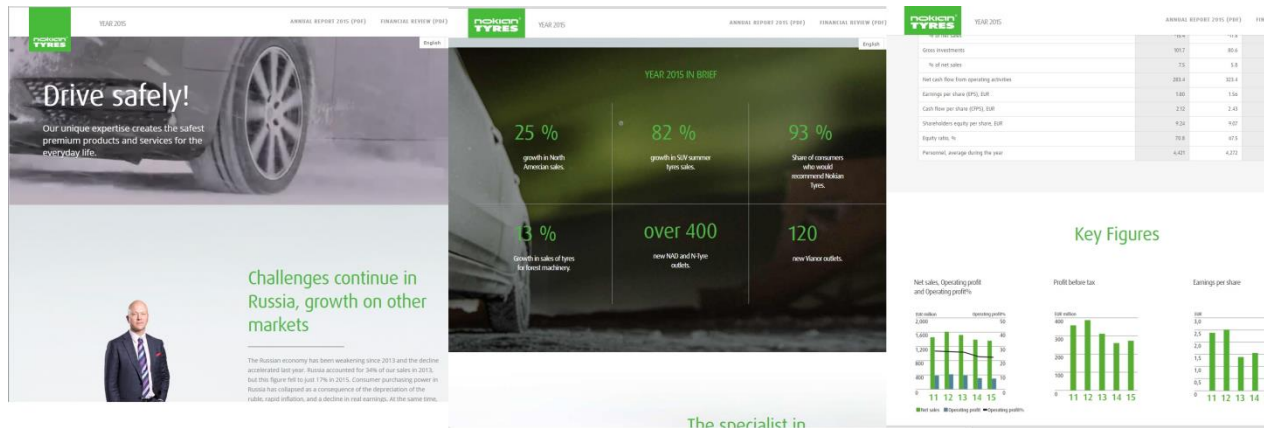
Nevertheless, just like Coca-Cola HBC, the online version of the annual report 2015 of General Electric does not include all the information covered in the Integrated Report produced in PDF format, but contains video materials and other interactive solutions that cannot be embedded into any other format but HTML.

7.2.2 HTML annual reviews 2015 produced by the sample companies

There were three (Nokian Tyres, Fortum, Metso) very clear cases of using the format in question among the 25 annual reports of the sample, and these cases are briefly discussed one by one.

Case 1. Nokian Tyres is a company that has been experimenting with formats and technologies in annual reporting for quite a while (online annual reports 2010-2015, flash version 2008, in 2010 they had a separate annual report application for iPad). In 2015, they produced a long one-page annual report home page with the financial and operational highlights of the year, and links to PDF annual reports in English and Finnish. The content of such one-page annual report is very brief and concise, much more information and the full financial statements are available in PDF mode.

Picture 14 illustrates how the HTML one-page annual review of Nokian Tyres 2015 looks like. Despite the lack of in-depth information, it has attractive visual material, pictures, animated graphs, and even a video clip embedded (the car on top of the page is moving). Each topic on that webpage is linked either to corresponding chapters of the PDF annual report or to corporate website, where more information covering the topic is presented.

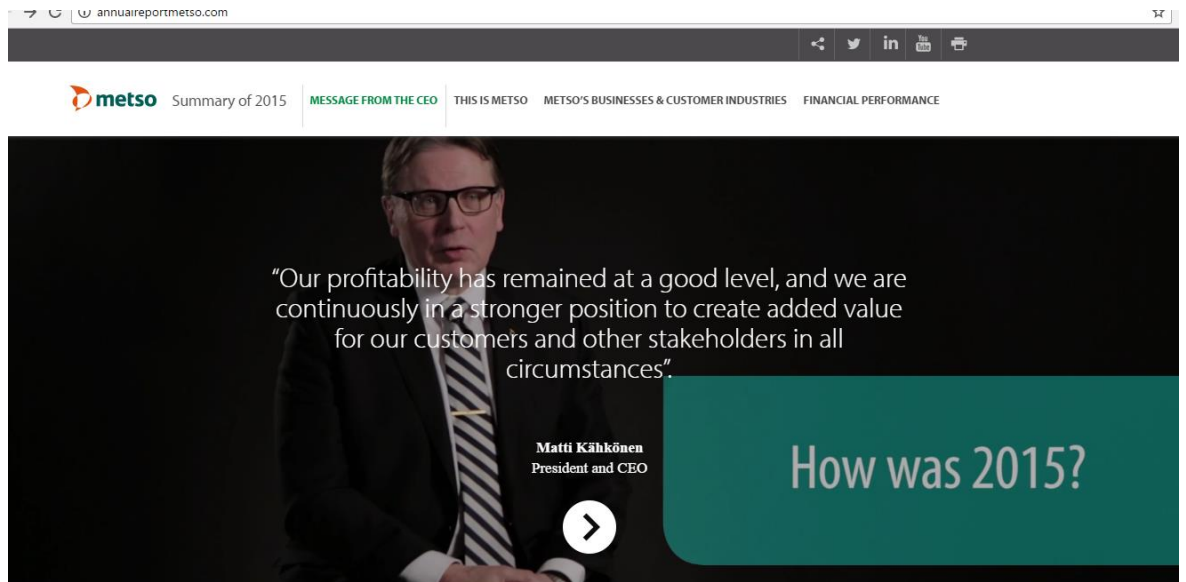


Picture 14. Three screenshots of Nokian Tyres Annual Report 2015 as an example of an Annual Review (Nokian Tyres 2016)

All in all, in terms of content, the HTML version of Nokian Tyres Annual Report 2015 is more of a marketing brochure targeted at customers rather than an annual report targeted at investors, shareholders, or market analysts. E.g. no information on corporate governance or risk management is included into this publication; instead there are links to the videos about Nokian Tyres' new products. Even though there are some financial results presented in key figures tables (as can be seen on Picture 14), it is not a proper balance sheet or income statement, just a selection of indicators that it was decided to include there by those preparing the report. This HTML annual review contains only a minor fraction of the information included into the PDF version.

Case 2. A similar annual report format was chosen by Metso. The company produced a complete PDF version and a one-page colourful and illustrated extract from it in HTML format. The HTML annual review contains marketing type of information rather than exclusive future-oriented strategic information that shareholders are looking for in annual reports (as defined in subchapter 4.2, control mechanisms and remuneration, KPIs, complete financial statements, risk assessment, etc.)

The highlight of the HTML annual review 2015 by Metso is the video interview of their CEO, where he discusses the ups and downs of the reporting year, as illustrated in Picture 15.



Picture 15. Screenshot from the video interview with the president and CEO of Metso in Metso's online annual review 2015 (Metso 2016)

HTML is the only format that allows embedding of videos at this point, and both Metso and Nokian Tyres are taking advantage of such technical possibility by embedding videos into their Annual Reviews.

Case 3. Another company from the main sample that published an HTML one-page annual review for the year 2015 was Fortum. The publication was called Online Annual Review 2015 and it is a part of Fortum's Annual Report 2015 that consists of 11 separate publications (as seen from Picture 16).

The content of Fortum's HTML Annual Review is very much similar to the ones produced by Metso and Nokian Tyres: it is full of pictures and links to various sections of Fortum's corporate website; it contains infographics and brief information on company's strategy. However, no videos were included into Fortum's online annual review 2015.

Another significant difference of Fortum's publication (versus the publications of Metso and Nokian Tyres) is that there is no comprehensive PDF annual report 2015 available for download. As demonstrated on Picture 16, annual report 2015 of Fortum consists of 11 links: web annual review and 10 separate PDF files, some of which are one/two pages long.

	<ul style="list-style-type: none"> > Sustainability 2016 (pdf) > Online Annual Review 2016 > Financials 2016 (including Financial Statements) (pdf)
2/25/2016 14:00 EET	<ul style="list-style-type: none"> Annual Report 2015 <ul style="list-style-type: none"> > Remuneration 2015 > Financials 2015 > Fortum Oyj Parent Company Financial Statements 2015 > Corporate Governance Statement 2015 > Fortum CEO's letter 2015 > Fortum Energy Production 2015 > Fortum's sustainability reporting 2015 > Fortum Stakeholders 2015 > Online Annual Review 2015 > Tax footprint 2015 > Fortum Worldwide 2015
2/20/2015 13:00 EET	<ul style="list-style-type: none"> Annual Report 2014 <ul style="list-style-type: none"> > Remuneration 2014 > Financials 2014 > Online Annual Report 2014 > Corporate Governance Statement 2014 > Annual Report 2014 (pdf)

Picture 16. Separate publications composing Annual Report 2014 and Annual Report 2015 of Fortum (Fortum 2016)

This format of corporate disclosure was used by the company for the first time in 2015. In previous years (2010-2014) Fortum produced both a comprehensive PDF annual report and a comprehensive independent HTML web annual report. As previously discussed in subchapter 7.1, the same disclosure format was chosen by Fortum for reporting on the results of the year 2016.

From the investors perspective (Financial Reporting Lab 2015, 6-10), it is not the best choice to split annual disclosure into a series of separate PDF files, as it makes it more complicated to download and access all disclosed information at once, use it offline and search through the documents for the specific information.

7.2.3 HTML annual reviews from preparers' perspectives

The research has proven that many the companies are shifting towards producing concise marketing-oriented "navigation menus", pages that help readers to navigate through web-site in order to obtain information that is supposed to be included into an annual report.

This approach has some benefits for the companies preparing the reports:

- cost-efficiency and time-saving (it is much cheaper and faster to produce one page instead of a complete portal)
- it is easy to put accents on issues that are beneficial to be empathized from the company management's perspective
- skillfully designed, such "navigation page" creates an impression of properly build annual report, and one could even not immediately notice that he was re-directed to the corporate website (e.g. Fortum 2016)
- a research "Annual Report Trends to Watch in 2016" by Moveable Online (Moveable online 2016), Canada based digital strategy agency, also noticed this trend, and another benefit of using such technique was highlighted – it is better suited for browsing from a mobile device than a classic HTM annual report.
- it is easier for readers to navigate through relevant for them subjects and topics, since there are no complex multi-level menus
- it allows companies to embed videos and other interactive solutions into their reporting without duplicating the content of PDF annual reports that the majority of companies produce anyway
- using such tool as an HTML annual review helps to avoid the need to duplicate information that had already been published during the year – e.g. if there were some big events or changes that had been reported upon in the "news" section of the corporate website during the year, a corporation can just mention it in such annual review and link it to the website's section where the event had already been described. Since the links lead to "external" sources, it allows to keep the review itself rather concise
- if there were no changes in the corporate governance principles or risk management procedures, basic strategic principles – whatever element of the annual disclosure that remained unchanged over several years – there is no need to publish such information again and again when using such tool as online annual review. A link to such information can be included, and that would be enough.

However, companies shall be careful with such links. Firstly, it is important that the links remain active during the next several years (when browsing through annual reviews of the past years there were many cases when some changes to the website would result in the link that was originally placed into the annual review becoming invalid). Secondly, it is not appropriate to link an annual report to the information that is presented in the annual reports for the previous years. The links shall only lead to the website/social media channels

of the company. Companies shall be careful with links that lead to completely external sources (e.g. websites of industry regulators), as the companies cannot control the validity of those links on the long run.

7.2.4 HTML annual reviews from investors' perspectives

HTML annual reviews as they were published by the sample companies provide no valuable information for investors. As it was previously mentioned when analyzing the three cases of the sample companies using this format, the information that is included into such reviews is mostly marketing information.

Such annual reviews provide no information regarding risks, KPIs or strategic objectives. In the cases when strategy is mentioned in this kind of reports, the information that is included is mostly too general and lacks specificity. The financial data that was provided in the studied annual reviews was not complete either.

It is not convenient to use such reports offline or print them out – in some cases, there were only financial statements available as a PDF documents, and other information was available solely on corporate web sites (or, as in the case of Fortum described in the previous subchapter, scattered among many separate files). Some of the stakeholders prefer keeping annual reports at their desks and refer to them every time they need any information throughout the year and possibly make some remarks on them, etc. (Roach 2014).

The information that is disclosed in such format can be perceived as less credible, as it has no clear scope, even if externally assured. In addition, as it is common to embed technical solutions as parallax scrolling, animations, video storytelling and some other techniques that are aimed at engaging the viewer and providing fascinating user experience, it is important to remember, that according to the Financial Reporting Lab (2015), investors do not want such features, as they see those as distractive; instead, they want clear, plain, well-structured reporting.

From investor's perspective, it is better to work with a document that contains all the core information available for download/print in one click in addition to such annual reviews that connects information from different sources. All in all, it can be summarized that HTML annual reviews are easy to make cost efficient alternatives for companies, but they are not an efficient investor communication tool, rather a marketing tool targeted at other audiences.

7.2.5 Application of design trends to HTML annual reports

Web design trends change all the time, and it is not the priority for those preparing annual reports, especially considering the growing requirements and complexity, external and internal pressure, to follow all the changes in the field. However, if a company produces an HTML report, it is better to ensure that it looks modern and sharp.

Many of design trends can be omitted, however one of the trends is simply a must nowadays. This important trends is responsiveness of the online annual reports (as discussed in subchapter 4.5.2). Wärtsila was the only company of the sample that produced non-responsive HTML annual reports both for 2015 and 2016 reporting years. It is difficult to read unresponsive webpages from mobile devices and small screens. Corporate website of the company, however, is responsive.

Another important issue to consider (just as responsiveness, it is not even a trend, just a prerequisite of a good report) is intuitive navigation. It is very important to structure an HTML report logically, and give clear names to the menu elements, sections and subsections of the report.

As for the rest of design features, they are the options that companies may choose to apply or not to apply. After all, the results of many studies (e.g. ACCA 2013-2014, Financial Reporting Lab 2015) concluded that the investors prefer the reports to be clear and simple. According to the findings of the research that was carried out by the Financial Reporting Lab (2015, 14), the institutional investors e.g. are quite often not fond of videos in annual reports. They'd rather prefer a transcript of the video, so it would be possible to search for the key information

7.2.6 Interactive PDF reports

The trend of publish annual reports using the same formats from year to year is very logical, since once the company has found the reporting format that is appropriate and suitable for them and optimized the internal processes, it requires much less resources and efforts to follow the same path each year.

A recent study by Financial Reporting Lab that was previously referred to in subchapter 4.4.3 revealed, that the respondents (over 150 retail investors and 15 institutional investors) prefer PDF reports to any other formats (Financial Reporting Lab 2015). During this

study, when the author was analysing annual reports 2015 and 2016 of the sample companies, it was also observed that it is much easier to find specific relevant information from PDF reports than from complex HTML portals.

At the same time, the companies are constantly trying to develop their reporting, adapt to the growing complex regulations, follow the global reporting trends (especially because many of the sample companies operate internationally) and use the opportunities provided by the modern technologies. As a result, the companies started to “enhance” the PDF reports that they produce.

Many of the sample companies that produced only PDF annual reports for the year 2015 embedded links to corporate websites or even to corporate YouTube channels for additional information and videos in their annual reports 2015 and 2016. Also, some of the PDF annual reports of the sample companies allowed easy navigation (e.g. by clicking on the chapter name in the table of content or in the header of the page), and search.



Picture 17. A page from Neste's Annual Report 2016 (Neste 2017)

As Picture 17 demonstrates, Neste's Annual Report 2016 that was produced in PDF format had interactive elements in it - each event mentioned on the picture is a clickable link

to the corporate website with in-detail description of the event and some pictures. Also, the header of the illustrated page allows navigating to other chapters (e.g. Sustainability or Governance) in one click or going back to the table of contents by clicking the corresponding icon in the top left corner of the page.

There were other interactive features embedded into Neste's Annual Report 2015: when pointing a cursor at an image it would "flip" over and show additional information about the topic. Picture 18 illustrates a screenshot of a page from Neste's Annual Report 2015 that utilizes this feature. This page also contains a link to a Neste's video on YouTube. The blocks on the picture that have a tiny "+" symbol on the bottom left corner react to a cursor – the cursor was on bottom right block when the screenshot was taken and that block is "flipped" on the image, thus there is no "+" symbol on it.



Picture 18. Screenshot from Neste's Annual Report 2015 (Neste 2016)

Neste is not the only company that embeds such interactive features to their PDF files, but it is definitely among the forerunners in Finland. Other companies that widely used those features in 2015 and 2016 reports were Huhtamäki (2015, 2016), Kesko (2016), Outokumpu (2016), Stora Enso (2015, 2016) Fortum (2016), YIT (2015, 2016).

Browsing through the YIT's annual report in PDF was very smooth experience because of the possibility to navigate through the GRI Index. Picture 19 illustrates a screenshot of the first page of GRI Index from YIT's annual report 2015. The page numbers in the second column are clickable and transfers the reader to the page that contains corresponding information. Such a small detail makes it very easy to find any information.

GRI Index		Page
General disclosures		
STRATEGY AND ANALYSIS		
G4-1	CEO's statement	p. 8
ORGANISATIONAL PROFILE		
G4-3	Name of the organisation	YIT Corporation
G4-4	Products, services and trademarks	p. 32
G4-5	Location of organisation's headquarters	YIT's headquarters is located in Helsinki, Finland
G4-6	Number of countries and location of operations	p. 32
G4-7	Nature of ownership and legal form	p. 53
G4-8	Markets served	p. 9-12
G4-9	Scale of reporting organisation	p. 5
G4-10	Basic information on employees	p. 6, 72
		2015
		Average number of personnel 5,613
		Non-salaried /salaried employees (%) 46/54
		Women/men (%) 26/74
G4-11	Percentage of employees covered by collective bargaining agreements	YIT complies with the general collective bargaining agreement generally used, including Finland. In Russia, the Group traditionally had very good employer-employee relations.
G4-12	Supply chain description	The Group uses suppliers and subcontractors extensively. Construction comes from an extensive network of suppliers but also on a small scale from suppliers in Asia. With a unit in some operating countries, all of the workforce is

Picture 19. Screenshot of the GRI Index page from YIT's annual report 2015 (YIT 2016)

The detailed results of measuring interactive elements in annual reports of the sample companies are presented in Appendix 12, and were discussed in subchapter 6.6. As it can be observed from the data in Appendix 12 and Figure 26 (in subchapter 7.2.9), 21 out of 25 sample companies published PDF annual reports for the year 2016 with interactive table of content for (17 in previous years), 11 reports had active links between various elements of a report (only 6 in 2015), and 14 reports contained external links to corporate website, YouTube channels, and other resources (12 in 2015).

7.2.7 Interactive PDF reports from preparers' and from investors' perspective

The companies can benefit by using the format in question by saving time and other resources, as the template for such document can be once developed and then used for

several years. It does not necessarily mean that the design must remain precisely the same, but the key elements may remain alike. As an example, picture 19 demonstrates two screenshots from the annual reports 2015 and 2016 of YIT – the company that has utilized some advantages of the new possibilities that PDF format offers nowadays.

As it can be observed from Picture 20, the table of contents of YIT's annual reports 2015 (bottom) and 2016 (top) are not completely identical, however, some consistency in design, structure of the report, and technical solutions used in the document can be traced easily. Looking at the comparison of those two pages on Picture 20, it can be suggested that YIT did not spend a lot of resources on developing a new design or a new structure (consistency in the structure of the reports was discussed in subchapter 6.1), nevertheless its annual report 2016 looks fresh and modern, logically-structured and it is very easy to navigate through by using the navigation menu on the top of each page of the report and the links that are embedded into texts. Having the layout of the report ready, the company's IR or PR practitioners could focus on the content and produce the report within shorter time period.

Skilfully built interactive PDF reports utilize the majority of the advantages provided in HTML reports such as facilitated navigation and possibility to interlink chapters of the report and include external links. At the same time the PDF format allows printing the reports out if needed as one document or saving it to the computer so it can be accessed offline. In addition, it is easier to navigate through PDF reports as they have clear structure, boundaries and the table of content in comparison to HTML reports that lack all of these features.

As it was illustrated in Figure 5 (subchapter 4.4.3), PDF format of annual reports integrates the best qualities of both HTML and printed formats. Adding interactive table of contents and navigation solutions (e.g. in headers, via internal and external links) makes PDF the ultimate format for producing annual reports (Financial Reporting Lab 2015, 6).

All in all, the format of interactive PDF is by now the most convenient digital format of annual reports for investors to work with, and at the same, provides a number of benefits for the preparers.

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WE BELIEVE THAT THE URBANISATION TREND WILL CONTINUE AND THAT PEOPLE WILL SEEK TO LIVE IN ATTRACTIVE AREAS AND LOCATIONS WHERE HOMES AND JOBS, SERVICES, HOBBIES AND FUNCTIONAL PUBLIC TRANSPORT MEET IN AN INTERESTING WAY.

KARI KAUNISKANGAS, PRESIDENT AND CEO

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BY CLICKING
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Every one of us at YIT has an important role in serving customers. Watch a video on customer encounters.

Picture 20. Comparison of the tables of contents of YIT's annual reports 2015 (below) and 2016 (above) (YIT 2016; YIT 2017)

7.2.8 How to “enhance” PDF annual reports

In addition to technical features that facilitate navigation and improve “searchability”, there are several design solutions that can enhance the experience of the readers of PDF annual reports.

One of such solutions is to use landscape orientation of pages in a PDF document instead of the commonly used portrait orientation. Such modification makes the layout of the reports more suitable for computer monitors. It is easier to read a report when a page fits into screen and the text is readable without a need to zoom. Pictures in the previous subchapter (Pictures 17-20) are the examples of such landscape oriented PDF annual reports. The results of the study by Financial Reporting Lab (2015, 8) show, that the investors prefer PDF documents with pages that fit into one screen.

Some companies of the sample (e.g., Konecranes in 2016) used double page spreads (portrait orientation). However, such spreads, even though they look better on a monitor than a typical one page spread portrait-oriented reports, such solutions are only readable on two screens or when closely zoomed.

During the research, it was observed that a number of the companies of the sample did produce landscape-oriented PDF files, but not all of the studied annual reports were landscape-oriented. It was also observed that working with landscape-oriented documents is more convenient.

Another important issue to consider is the tendency to divide annual reports into several separate PDF documents. Some time ago, when Internet traffic was slow and expensive, this trend was well justified. Nowadays, on the contrary, with cheap and high-speed internet connections (at least in Scandinavia) there are no reasons to do so. Dividing annual reports into separate files makes it not possible to search the whole annual report at once, and investors consider the risk to miss some piece of important information lower when they work with a full annual report produced in one file (Financial Reporting Lab 2015, 10). It is also easier to print out or save for offline use one document than a number of documents that together make up an annual disclosure.

7.2.9 Technical features of PDF annual reports

The additional analysis of annual reports 2016 that were produced by the companies of the sample has revealed that PDF reports are becoming more interactive. PDF annual reports 2015 and 2016 of the sample companies were studied to find out whether the reports had interactive tables of contents, interactive navigation through the report and links to external sources (e.g. video materials). The results of a comparative study is presented in Appendix 12.

Figure 26 illustrates that more and more companies make interactive tables of contents (17 companies had it in 2015, and 21 company applied it in 2016), add interactive navigation menus to headers of each page (only six companies had it in 2015, and ten companies had such navigation possibility on each page in 2016, one company had it on some of the pages in 2016), use links to the corporate website, videos on social media channels (YouTube), and other external resources (15 companies used links in 2015, and 17 companies did it in 2016).

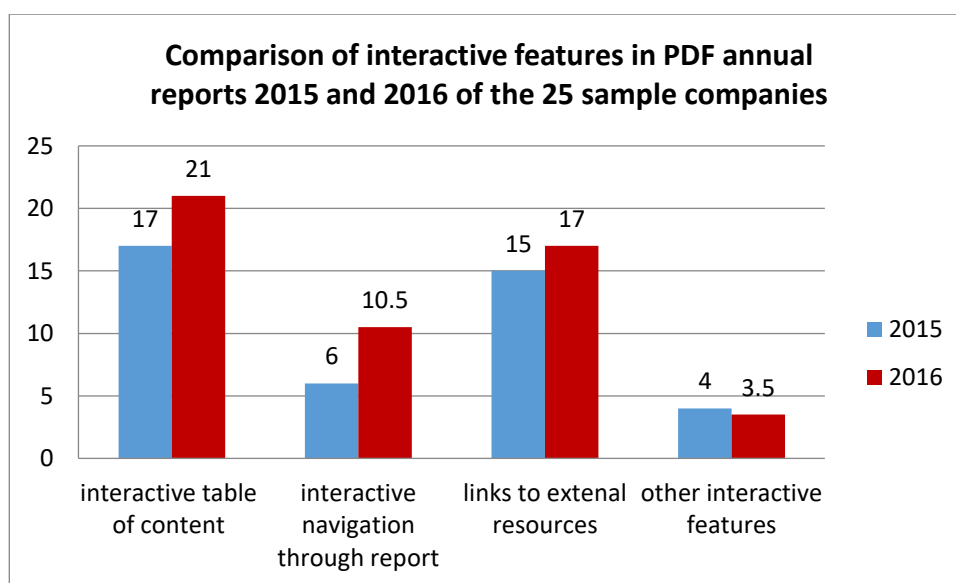
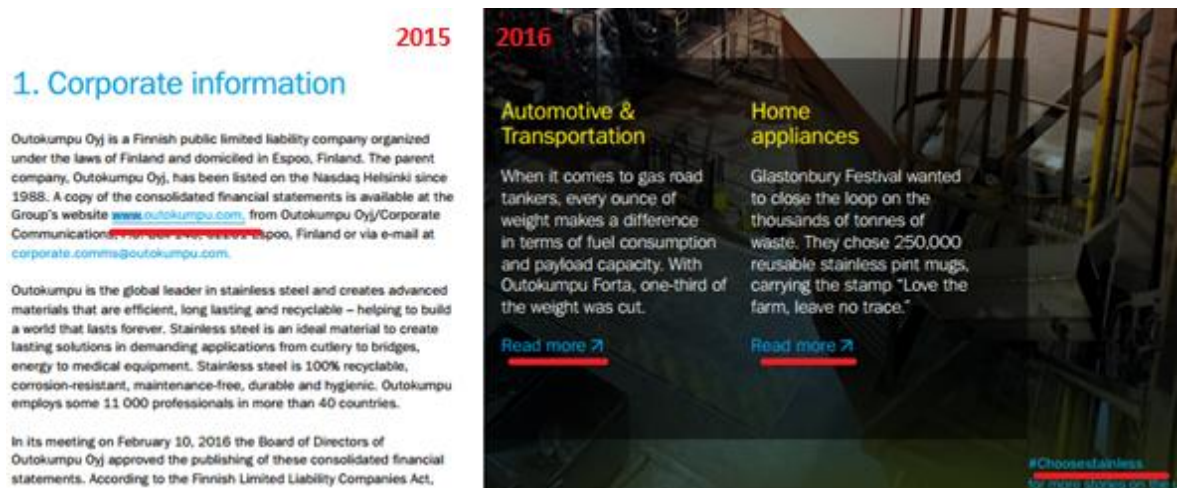


Figure 26. Comparison of technical features applied to annual reports 2015 and 2016 of the sample companies

There is a difference in how companies insert external links into their reports. The difference is illustrated in Picture 21 as a comparison of external links embedded to Outokumpu's annual reports 2015 (on the left) and 2016 (on the right). The links are underlined with red.



Picture 21. Comparison of usage of external links in Annual reports 2015 and 2016 of Outokumpu (Outokumpu 2015; Outokumpu 2016)

Seven out of 15 companies that used external links in PDF annual reports in 2015 (as seen o Figure 26) embedded the links the way Outokumpu did in 2015: by simply adding hyperlink to the online address. Other eight companies did it in a more “fancy” way, as illustrated on the right of Picture 21 or as it was demonstrated in previous examples on Picture 17 (Neste) and Picture 19 (YIT). UPM and Outokumpu were the two companies that upgraded external links in their annual reports 2016 comparing to the annual reports 2015 by “hiding” website addresses behind texts and pictures.

There were also some other interactive features that companies integrated into their reports, one example – interactive flipping blocks in Neste’s annual report 2015 - was described in subchapter 7.2.7. However, it is important to keep in mind that investors want the most basic PDF reports, and adding extra interactive features that have no impact on the “searchability” or navigation is not favoured by the investors (Financial Reporting Lab 2015, 10).

7.2.10 Printed annual reports

Even though the printed annual reports were not studied during this research, due to the lack of time and other limitations discussed further in subchapter 8.3, it is important to remember that according to scholars and recent studies (Roach 2014, Financial Reporting Lab 2015) investors continue to use printed annual reports.

It is important to either produce and print annual reports and distribute those among investors and shareholders, or produce such digital annual reports that are easy to print out,

preferably in one click (as a single PDF document) and that are understandable in black and white (pictures, graphs).

7.3 Recommendations regarding the content of voluntary disclosure

An analysis of the content of sample annual reports revealed that the information that investors and shareholders are looking for is not always included. Nowadays annual reports are not the only source of information regarding the financial results of a company, however, inclusion of future-oriented narratives, explanation of KPIs and strategic objectives (and providing a follow up to the objectives that were set in the previous years), risk assessment, and other materials that it is not possible to obtain from any other sources are what makes annual reports important strategic communication tools.

As it has been mentioned several times through this report, one of the definitions of corporate reputation is a net perception of company's ability to meet the expectations of its stakeholders (Fombrun 1996; in Roper and Fill 2012, 5). Thus, in order to maintain and strengthen its reputation among investors and shareholders, a company shall provide information that is desired by those publics. However, it is important to find a thin balance between providing enough of useful information to investors and giving away competitively sensitive data (PwC 2014, 19).

In addition to inclusion of the above-mentioned information into corporate disclosure, investors also highlight the importance of linking different elements and sections of annual reports to each other (PwC 2014, 19). This linkage is referred to as "connectivity" in <IR> Framework and its importance is also highly empathized (Deloitte 2015, 23). Such linkage (or connectivity) between KPIs and strategy, risks and perhaps even remuneration; between business model, clear defined performance objectives and progress report to build allows to build coherent, comprehensive understanding of the business (PwC 2014, 19).

Integrated reporting is seen as a potential tool to enhance current reporting practices and increase the connectivity between the elements of annual reports.

7.4 Integrated reporting and compliance with <IR> and GRI frameworks.

As it was stated in subchapter 6.8 of this report, 23 out of 25 sample companies produced their annual reports (or CSR reports) 2015 in compliance with GRI G4 framework and 19 out of 25 companies are signatories of UN Compact Global.

<Integrated Reporting> framework was not that popular, as in 2015 it was only Kesko that complied with it officially. However, as the research revealed, some of the companies that hadn't referred to <IR> framework used some of its elements: e.g. the 6 capitals model to report on their value chain creation (TeliaSonera, Kemira, Stora Enso, YIT).

According to Tomas Otterström's (KMPG, partner) presentation at the seminar "Perspectives on credible non-financial and integrated reporting" (Otterström 9 March 2017), the reports of 12% of the companies reporting on corporate responsibility in Finland in 2015 stated that they were "integrated", and 14% referred to the <IR> framework or guidelines of IIRC.

Similar trends were observed during this study. Even though in many cases there were no references to Integrated Reporting framework, overall there were nine companies that produced annual and CSR reports as single documents. As it was stated in the ACCA's final report (ACCA 2014, 21), the companies had recognized the need for a more integrated approach to reporting. Sustainability is seen today as an integral part of business, and ACCA's researchers suggest that the same transition shall be projected to reporting practices (ACCA 2014, 21). Other researches also see potential in developing more integrated reports as a solution to better meet the needs of investment professionals (PwC 2014, 19; Deloitte 2015a, 3).

As it has been already mentioned in subchapter 7.2, Dr. Verena Schultz-Klemp stated on behalf of Outokumpu during the discussion panel "Perspectives on credible non-financial and integrated reporting" (Schultz-Klemp 9 March 2017) that the idea of integrated business and CSR reporting is very close to the company's ideology, and they were planning to move in that direction; however, Outokumpu was not planning to become an official <IR> reporter. She also mentioned, that moving to the value creation framework reporting required a lot of work. Outokumpu's annual report 2016 does not include 6 capital model, neither has it included any other description of value creation processes.

During the same discussion panel, Minna Aila, Vice President, Corporate Affairs at Nokia, stated that the idea and concept of integrating reporting is right, and the integration of reporting systems is in process at Nokia, but the company at this point is not planning to begin producing Integrated Reports in accordance with <IR> framework (Aila 9 March 2017).

Cargotec, Tieto and Fortum joined the list of official <IR> reporters in 2016. Thus, four (including Kesko) out of 25 sample companies produced annual reports in accordance with <IR> framework in 2016, which is a significant growth comparing to the previous year 2015 (when only one company produced an <IR>, Kesko).

Summing up, it can be concluded that the companies understand that integration of financial, managerial and sustainability reporting can be beneficial for companies in many aspects that were mentioned in subchapter 4.6.4. In addition to those aspects, integrating those three branches of corporate reporting allows to save internal resources and avoid double tasking and thus producing integrated (not necessarily in accordance with <IR> framework) annual reports can be a way to optimize the efficiency of internal reporting processes.

Evidence of strong appetite towards integrated reporting among investors has also been found (ACCA 2014, 18; PwC 2014, 19). The most important aspect of compliance with <IR> is that the guidelines of the framework are based on the needs of investors and shareholders; by following those principles public companies can produce annual reports that meet the needs and expectations of one of the key external stakeholder groups, and as a result, positively contribute to corporate reputation.

Even though it is understandable that switching to the new reporting model is challenging and requires lots of efforts. It is even more complicated for the companies with complex sourcing and global operations. Nevertheless, the findings of the research that had been carried out for this study have proven that corporate reporting practices in Finland are slowly but surely shifting towards integration, whether in accordance with the framework developed by IIRC or not.

Another strong argument regarding the growing importance of <IR> framework globally is the growing amount of companies that report in compliance with <IR>: in June 2016 the database of official <IR> reporters on IIRC website consisted of 340 companies, and within less than a year, by April 2017, it has almost reached 500 organizations (IIRC database s. a.).

7.5 Growing length of the reports

During the panel discussion “Perspectives on credible non-financial and integrated reporting”, it was mentioned that throughout all the years that Neste had been listening to the feedback of the stakeholders regarding annual reports produced by the company, no respondent ever said “we want more reporting”; however, the stakeholders always said that

they wanted more information; it was also stated that Neste was planning to put efforts into producing shorter reports (Honkanen 9 March 2017).

However, when comparing the lengths of annual reports 2015 and 2016 of the sample companies (Neste was one of the sample companies), it can be observed that the report has only grown longer. The full comparison table can be found in the Appendix 13. Some of the reports were not comparable to each other, and in some cases of multiple reports combining an annual report, information was just moved to another report of the series. However, in average annual reports grew by 6 pages in 2016. Kesko's Integrated annual report became 152 pages shorter in 2016, and excluding this exceptional case is from the comparison, the average length of annual reports 2016 increased by 12 pages comparing to the length of annual reports 2015.

Wärtsilä, Stora Enso and Kemira also published shorter annual reports/reviews (4, 15 and 14 pages shorter correspondingly) in 2016.

Tieto produced an Integrated Report 2016 (in compliance with <IR>) and the report grew 69 pages up comparing to the report issued for the previous reporting year (not integrated); Cargotec's annual review 2015 became Integrated Annual Report in 2016 and grew 36 pages up. UPM's, YIT's and Neste's annual reports also became significantly longer.

This observation goes in line the findings of the survey by Deloitte "Annual Report Insights 2015. Building a better report" (2015b, 3), that identified growing length and complexity of annual reports as one of the major problems four major problems of corporate reporting.

Even though neither the preparers nor the readers want more reporting, in many cases companies are forced to produce longer reports to comply with legal requirements, the requirements of the reporting framework that they are following or simply to provide all the information that it is needed and expected by investors and shareholders.

7.6 Timing (of publication of annual reports)

Companies that achieve fast closing (of financial accounts) can gain a reputation for transparency and openness. From the investors' perspective, companies that are able to analyse annual results and publish them earlier than others have better internal control mechanisms and processes (ACCA 2013c, 11).

The research revealed that there was significant difference between the publication dates of annual reports produced by the companies of the sample. According to ACCA (2013c, 10), the best performing companies manage to produce good annual reports within 30 days after the end of the reporting year. Some of the sample companies did manage to produce comprehensive annual reports (that provided managerial, sustainability and financial disclosure) within 30 working days after the end of the reporting period (Wärtsilä, Outokumpu).

There were 13 companies of the sample that published annual reports within 40 working days, however the majority of most comprehensive reports that fulfilled many investor's criteria that were assessed during the study were published later on. E.g., Integrated Report produced by Kesko was published only in 49 days after the end of the reporting period.

Even though according to ACCA (2013c, 11), publishing annual accounts faster than other companies "enhances corporate reputation" among investors (as it indicates better governance and internal management), it is important to balance between the content, assurance, accuracy and speed of disclosure (ACCA 2013c, 17).

All in all, the speed of closing the accounts and publishing annual reports can be improved by many of the sample companies. And, according to ACCA (2013c, 11), producing annual reports faster is beneficial for corporate reputation.

7.7 Future-orientation of narrative disclosure

As it was explained in subchapter 4.1.6, investors expect annual reports to contain future-oriented information regarding the plans and prospects of the management, strategic objectives and goals. No one expects sensitive or confidential data to be published, but there is a significant difference between a report that is focused on reporting past performance and a report that is forward-looking.

Investors want to have an understanding of where the management is planning to lead the company, how they are going to develop the business and what results are expected to be achieved. According to Mrs. Maureen Wolff (NIRI National s. a.), future-oriented information in annual reports is what makes annual reports stand out from other investor relations communication tools, and what makes them so valuable for investors.

The analysis of narrative elements of annual reports produced by Finnish companies revealed that the narrative disclosure included into annual reports of the sample companies in the majority of case was future-oriented or included future-oriented information to some extent at least in one of the three sections of the report (CEO's statement, strategy discussion, sustainability). Over half of the companies (14 and 13 respectively) included future-oriented information into CEO's statement and strategic discussion.

On the other hand, there were two companies that did not provide any future-oriented information in the narrative disclosure whatsoever. Four of the sample companies included such information very moderately (in 1-3 of the studied sections).

Since it is future-oriented information that the investors are looking for in annual reports, it is advisable for the companies (who has not yet done so) to shift the reporting perspective from assessing past performances to showing where the company is going to move next (building up on the past achievements). Application of future-orientation perspective to CEO's statement, Strategy discussion section and Sustainability disclosure simultaneously leads to higher linkage (connectivity) between the elements of the report, which is also an important criteria of a good annual report for investors (as explained in subchapter 4.1.4).

7.8 Summary

This chapter discussed the results of the analysis of the sample annual reports using the research matrix, an instrument that was developed as a result of the document analysis that was carried out at the first stage of the study. The analysis was carried out through the prism of the literature studied before carrying out the research and documents that were analysed at the first stage of the research (listed in Appendix 1).

Several general recommendations were given in this chapter to the public companies that produce annual reports: to use interactive PDF format, to interlink content elements and to disclose strategic future-oriented information, including risk assessment, KPIs, etc. (however, cautiously not to disclose sensitive information or too much), to consider compliance with <IR> or at least application of some of useful techniques that the framework provides, to be careful and not to make the reports too long (and to include only material information), and to try to produce and publish annual reports faster (than in previous years).

The next chapter concludes this paper: summarizes the results of the whole study, describes the learning outcomes, discusses limitations of the research and provides suggestions for future studies.

8 Conclusions

Fombrun (1996, in Roper and Fill 2012, 5) defines reputation as “net perception of a company’s ability to meet the expectations of all its stakeholders”, and this definition leads to conclusion that meeting the needs and expectations of the stakeholders is essential for strong corporate reputation.

The primary target audience of annual reports produced by public companies are current shareholders and investors, as it was justified in subchapter 2.9. Considering that investor image is one of the four images held by external stakeholders that together form corporate reputation (as illustrated in Figure 2, subchapter 2.1.1) and that annual reports are quite often perceived as communication tools that can significantly impact corporate reputation (Argenti 2013, 210; Jonäll & Rimmel 2010, 309; Deloitte 2015a, 5; PwC 2014, 19), it can be concluded that fulfilling the needs and expectations of investors towards annual reports is essential for strong corporate reputation.

The purpose of this study was to come up with specific criteria of a good annual report that would contribute to the company’s image and reputation and provide recommendations on how companies listed at Helsinki Exchange could enhance their annual reports to be the most beneficial for their reputation.

The objectives of the research were to identify the needs and expectations of investors and shareholders as primary stakeholders of annual reports towards the document in questions, analyse how those needs and expectations are currently met by the companies listed at Helsinki Exchange, and come up with a proposition on how the annual reports of publicly listed Finnish companies may or shall be enhanced in order to fulfil the expectations of investors and shareholders and, as a result, contribute positively to corporate reputation. The research objectives were re-formulated into following research sub-questions in subchapter 1.5:

Q1. What are the needs and expectations of investors and shareholders towards annual reports of public companies and how they can be fulfilled?

Q2. How well the needs and expectations of investors and shareholders are met in annual reports produced by the companies that are listed at Helsinki Exchange?

Q3. How Finnish publicly listed companies could improve their annual reports to better serve the needs and expectations of investors and shareholders and thus contribute positively to corporate reputation?

During this study, the needs and expectations of investors and shareholders towards annual reports produced by public companies were identified through the document analysis; the documents are listed in Appendix 1. The findings are discussed throughout chapter 4, thus providing an answer to the Q1. Basing on the findings of the analysis, there was a research matrix developed (Appendix 3). Research matrix is an instrument that combines the most important criteria of investors towards annual reports and allows to assess whether a report provides sufficient information, whether it was published in a format that is convenient to work with, and whether it qualifies with other criteria of the primary target audience (the criteria are described in chapter 5). The research matrix is universal and can be used to analyse any annual report of a public company.

Using the research matrix that was developed at the first stage of the research, annual reports 2015 of 25 companies that were traded the most at Helsinki Exchange and thus constituted OMXH25 index in spring 2016 were carefully analysed in order to build and understanding of the corporate reporting practices in Finland. In particular, the objective of the analysis was to assess how well the annual reports fulfil the needs and expectations of the investors and how the reporting practices can be improved to minimize the gap between the expectations of the investors and the annual reports, and as a result, to make annual reports efficient communication tools that enhance corporate reputation. The results of the research are presented in chapter 6 and discussed more in-depth in relation to investors' expectations and needs in chapter 7, thus providing answers to R2 and R3 correspondingly. Annual reports 2016 that were produced by the sample companies were also studied and taken into consideration when making conclusions and providing recommendations in chapter 7.

Overall, it has turned out that corporate reporting practices vary significantly from company to company. Some of the reports turned out to be very close to what is expected by the investors, whilst voluntary disclosure of other companies was very minimalistic and mostly focused on the previous achievements, thus not providing the information that is wanted by investors.

There were significant differences not only in terms of content of annual reports, but also in terms of format, timing, compliance with reporting frameworks and external assurance (the study was focused on voluntary reporting, compliance with mandatory reporting framework (IFRS) and assurance of financial statements was not the focus of this study).

In general it has turned out that many reports do fulfil the needs and expectations of investors rather well, however, there was something that can be improved almost in every report. All the data that was collected during the second stage of the research is available from Appendixes 3-12.

At this point it is also important to mention once again the point that was briefly referred to in subchapters 7.3 and 7.7. Even though investors do want access to strategic information and future plans of the companies, in many cases it can be rather sensitive information, and revealing too much information may have negative effect on business operations. All information that is included into annual reports shall be carefully weighted.

Basing on the results of the study, seven principles for creating a report that would fulfil the needs and expectations of investors were identified and are summarized in the next subchapter. By following such principles, companies can produce annual reports that fulfil the needs and expectations of the investors, and as a result, positively impact corporate reputation.

8.1 Summary of the results of the research

In general, corporate reporting practices in Scandinavian countries are considered to be at a very high level. The results of the study once more confirmed this statement. At the same time, even though some of the studied reports fulfilled the criteria of a good annual report, many of the reports could have been enhanced and improved.

The reports that were studied varied from each other significantly, and there cannot be a universal template for a perfect annual report. Companies have diverse businesses, different products and varying resources available, they need to comply with different (in many cases multiple) legislations.

At the same time, at the first stage of the research there were seven key principles of a good annual report from investors' perspective identified. By following those principles, any public company could enhance their reports into strong communication tools that would contribute to the company's image and reputation.

1. Annual reports shall be **clearly structured**. It should be easy to find specific information (**searchable**). It should be easy to print them out (thus producing multiple separate PDF documents is not recommended). It should be easy to use them offline, and for this reason, the *handiest format of annual reports* is an enhanced **PDF file**. A one-page online annual review that highlights the major events of the

year or a comprehensive HTML annual report can be produced in addition to that, but the primary focus shall be on the PDF document.

2. Annual reports shall be **concise**. Only important and relevant (**material**) information shall be included.
3. Annual reports shall be **future-oriented**. Both ACCA's research (2013) and the research by KPMG (2017) revealed that there is reporting "mismatch": companies focus their reporting on past performance. The focus shall be on strategic growth, development plans, and business as usual (Otterström 9 March 2017).
4. Annual reports shall be produced using the technologies to company's advantage. There are ways to **enhance plain PDF** reports without putting much effort into it (as discussed in subchapter 6.5.1). Using **hyperlinks** to external resources allows keeping the report concise and avoiding duplicating information. **Navigation menus** are very useful, and **interactive table of contents** have recently become a matter of course. Using the latest design trends (e.g. infographics, flat design) is not necessary, however having an appropriate modern design is highly recommended. HTML reports shall be responsive and well-structured.
5. Annual reports shall be **integrated**. Producing one single document that combines financial, managerial and CSR reports saves internal resources and creates a solid image in the eyes of stakeholders. If single document is not an option, the reports still shall be **interlinked and consistent**. Integrated reporting is voluntary in Finland, so whether to follow <IR> framework is up to the management to decide, however some elements of the framework can be applied to any reports (e.g. 6 capital model, value creation chain, materiality analysis, etc).
6. Annual reports shall include all the disclosure required by **legislation**. In addition, the investors are very interested in company's **strategy** (future-oriented), **risks and opportunities** that are currently relevant or may potentially occur, and **KPIs**. Such elements as **corporate governance** and **remuneration, sustainability**, and **CEO's review** (future-oriented) are also crucial parts of a comprehensive annual report. Explanation of **external environment** and **internal resources** has also become a good practice lately.
7. Annual reports shall become publicly available on the corporate website as soon as possible. The study showed that 2/3 of the biggest companies in Finland managed to produce full comprehensive annual reports 2015 within **45 working days** after the end of the reporting period. That shall be the target timeline.

These seven principles seem to be rather logical and easy-to follow, however, as the research revealed, even some of the largest companies tend to skip one or two points.

8.2 Learning outcomes

An important outcome of the study was the research matrix that was developed basing on the needs and expectations of investors that were identified during the document analysis at the first stage of the research. Without being attached to any reporting framework in particular (e.g. <IR> Framework), the matrix allows to evaluate how well an annual report fulfils the needs and expectations of investors in terms of both content and format of voluntary disclosure. The matrix can also be used by those producing annual reports for

keeping in mind all the important nuances and thus producing better reports that improve corporate reputation.

In addition to the research matrix and recommendations that were provided on how to improve annual reports of the sample companies in the previous chapter, the study has contributed to the author's professional knowledge by developing a profound understanding of corporate reporting practices in public companies (among other nuances, its purpose, target audience, legislation on the matter, the information that is desired (and how it is expected to be presented) by investors, content elements, importance of future-orientation of voluntary disclosure, etc) and the effect that corporate reporting practices have on corporate reputation.

The total duration of the study was 25 months, and it was very interesting to observe the changes that have been happening in corporate reporting practices in the world during this period of time: the development and rapid expansion of <Integrated Reporting> Framework, the changes that the annual reports went through in terms of formats (new formats, such as interactive PDFs and one-page HTML annual reviews are spreading rapidly nowadays), the effects of the new Directive on the disclosure of non-financial and diversity information (2014/95/EU Directive) that the companies started to prepare for during the study period (2015-2017) and that came into force in Finland starting from 1.1.2017 among others.

Prior to the study, the author had experience of acting as a producer and editor of two annual reports produced by a non-listed company (and two more during the study). Annual reports of non-listed companies are purely marketing/reputation management material and do not have much in common with the annual reports that should be produced by public companies, as the target audience of the reports is different (the reports produced and edited by the author of this thesis were targeted at the bank officers and trading counterparties/customers). However, it was the process of producing those reports that allowed the author to look at annual reports of public companies not as financial reports, but as communication and reputation management tools. Literature review proved that such approach to annual reports as impression/image/reputation management tool is quite popular among researchers.

The knowledge that was gained during the study was in a way applied to the annual reports produced by the non-listed company that the author has been producing and editing annual reports for. E.g. the company stopped producing HTML annual reports; on the

other hand, annual reports in PDF format became more interactive (as the study revealed that interactive PDFs combine the benefits of both HTML and PDF formats).

The knowledge and expertise that were gained during this study are very useful and practical. Even though the author is not involved in production of annual reports for public companies directly (only in gathering data for producing annual reports of the parent company, that is a public company), some of the knowledge (mostly in terms of format and design, however, e.g. future-orientation and materiality of the content is also an important finding) can be applied to the publications of financial statements of the company that the author is editing and that are being published on the corporate website every year.

8.3 Limitations of the research

Corporate reporting is a very complex process, and it had been a subject of many studies for over the years. This study revealed some special characteristics of corporate reporting in Finland and identified major trends in corporate reporting globally, and thus has contributed to the general knowledge on the corporate reporting practices. However, this research had several limitations.

Firstly, the research lacks first-hand data from the investors and other stakeholders. Even though the secondary sources that were used for analysing the needs and desires of annual reports' stakeholders were carefully selected, and only the most reliable sources were chosen, secondary data analysis hardly ever gives same depths and understanding as interviewing the respondents face to face or other personal interaction.

Secondly, this study is generic and theoretically focused. Even though the results of the study are very practical recommendations on how to produce valuable annual reports, the study was not carried out for a particular case company.

Thirdly, there were no interviews conducted with any representatives of the sample companies. However, the representatives of three sample companies – Neste, Nokia, and Outokumpu – participated in a panel discussion on Integrated reporting in Helsinki on 9 March 2017 and presented three very different perspectives on corporate reporting and how the changing European (and Finnish) legislation affects current reporting practices. In addition, a representative of Kesko – the only company in Finland who produced a report in compliance with <IR> for the financial year 2015 – also shared Kesko's perspective on effective corporate reporting and how a company can benefit from switching to <IR>.

Lastly, it is important to mention the limitation of time. The topic of corporate reporting is very complex and multi-level, and as this study proceeded, more and more aspects and nuances that required further study were revealed. However, the time was limited, thus some of the topics were not studied as deeply as they should have been. At the same time, the scope of the study could not stay within the limits that were set in the beginning because of the same reasons. In order to produce good annual reports that would strengthen corporate reputation, companies shall consider numerous details, and this study has only scratched the surface in many areas, since the limited timeframe did not allow exploring all the aspects in-depth.

8.4 Suggestions for further research

The study has taken over two years because there exist so many different approaches to studying corporate reporting practices and annual reports in particular. It took some time to find the best approach to fulfil the research objectives. Impression management through annual reports (as suggested by Brennan et al. 2009; Merkl-Davies et al. 2011; Brennan & Merkl-Davies 2013) was one of the approaches that was considered at first, however, the results of such study would not be helpful for those producing annual reports. Nevertheless, it would be curious to study corporate reporting in Finland from that perspective, as there have not been such studies carried out yet.

In addition, it turned out that the most interesting observations and findings can be done with a longitude approach to the study – analysing several consequent annual reports produced by the same company. Another interesting study would be to make comparative longitude research by analysing annual reports of the sample companies for five consequent years – this would allow to make conclusions on whether the gap between the needs and expectations of the investors towards annual reports and the annual reports produced by public companies is getting any smaller as the time goes by.

The effects of the Directive on the disclosure of non-financial and diversity information (2014/95/EU Directive) that has come into force starting from 1.1.2017 will directly affect the annual reports 2017 prepared by some of the sample companies. Studying those effects would be very insightful as well, just as a deeper studying of the expansion and application of <IR> Framework to the annual reports produced by Finnish and European companies.

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Appendices

Appendix 1. Data sources for document analysis

List of documents that were analyzed in order to identify the needs and expectations of investors towards annual reports (data sources for the first stage of the research):

1. Publications by British Association of Chartered Accountants (ACCA)
 - d. Narrative reporting: Analysts' perceptions of its value and relevance (2008)
 - e. Accountancy futures. Re-assessing the value of corporate reporting (2012)
 - f. Understanding investors: the changing landscape (2013)
 - g. Understanding investors: directions for corporate reporting (2013)
 - h. Understanding investors: the road to real-time reporting (2013)
 - i. Understanding Investors: the changing corporate perspective (2014)
 - j. Meeting users' information needs: The use and usefulness of Integrated Reporting (2016)
2. Video and publications by National Investor Relations Institute (NIRI), the USA
 - a. Overview of NIRI Annual Report Survey (2015) by Investor magazine
 - b. NIRI National s.a. Video interview "IR Today: Annual Reports – Trend & Innovations" (year of publication: 2013)
3. Publications by International Integrated Reporting Council (IIRC)
 - a. International Integrated Reporting Framework
4. Publications by Global Reporting Initiative
 - a. GRI G4 reporting principles and standard disclosure
 - b. Integrated Reporting. October to December 2011. Monthly report (2012)
5. Publications by the Big Four companies:
 - a. PwC: Corporate Reporting: is it what investment professionals expect? (2007)
 - b. PwC: Corporate Performance: What do investors want to know? (2014)
 - c. Deloitte
 - i. Annual report Insights 2015. Building a better report
 - ii. Annual report insights 2016. A clean vision
 - d. KPMG
 - i. The KPMG survey of business reporting (2014)
 - e. EY
 - i. Value of sustainability reporting (2016)
 - ii. Integrated reporting. Linking strategy, purpose and value (2016)
 - iii. Tomorrow's investment rules: global survey of institutional investors on non-financial performance (2014)
 - iv. Annual Reporting in 2014: reflections on the past, direction for future
 - v. Annual Reporting in 2015: evolving communication in a changing world
6. Other sources
 - a. Financial Reporting Lab. 2015. Digital present: Current use of digital media in corporate reporting. Financial Reporting Council Limited. London.
 - b. Brearey, C.H. 2008. Investor views of financial reporting: recent evidence of the expectation gap. Case Western University.
 - c. Hoffman, C. and Fieseler, F. 2012. Investor relations beyond financials. Corporate Communications: An International Journal. 17, 2, pp. 138-155.

Appendix 2. List of the sample companies

The companies whose shares were the most traded at Helsinki Exchange in spring 2016 and constituted OMXH25 index were selected as sample companies for the quantitative stage of the research. Annual reports 2015 of the following companies were analyzed in order to evaluate corporate reporting practices in Finland:

1. Amer Sports
2. Cargotec
3. Elisa
4. Fortum
5. Huhtamäki
6. Kemira
7. Kesko
8. Kone
9. Konecranes
10. Metso
11. Neste Corporation
12. Nokia
13. Nokian Tyres
14. Nordea Bank AB
15. Orion
16. Outokumpu
17. Outotec
18. Sampo Group
19. Stora-Enso AB
20. TeliaSonera
21. Tieto Corporation
22. UPM-Kymmene
23. Valmet
24. Wärtsilä Abp
25. YIT

Appendix 3. Research matrix. Analysis of annual reports 2015

	Format (Appendix 4)	Technologies in HTML reports (Appendix 5)	Design solutions in HTML reports (Appendix 6)	Technologies in PDF reports (Appendix 12)	Number of PDF re- ports constituting annual report (Appendix 7)	Content elements (Appendix 7)		Application of report- ing frameworks		Timing (Appendix 10)		External Assurance (Appendix 9)	Materiality (Appendix 9)	Future orientation (Appendix 11)	Total score
						included into the annual re- port	included into CSR or other publi- cations	<IR> (Appendix 8)	GRI (Appendix 9)	Financial statements	Annual re- ports				
Amer Sports	1	-	-	0	2	3	2	-	1	0.5	1	0	1	1	7
Cargotec	0.5	-	-	0.5	2	3	2	-	1	0	1	1	1	1.5	9
Elisa	3	4	8	2	2	4	1	7	1	1	0	1	1	1	10
Fortum	1.5	1	5.5	2	6	1	2	-	1	0	0.5	0	0	1	5.5
Huhtamäki	1	-	-	3	2	3	2	-	1	0	0.5	1	1	1	10.5
Kemira	1	-	-	0	1	5	0	-	1	0	0.5	1	0	3	10.5
Kesko	2	4	6.5	2	1	5	0	9.5	1	0.5	0	1	1	0.5	10.5
Kone	1.5	-	-	1	2	-	-	-	1	1	1	1	1	0	5
Konecranes	1	-	-	1	1	5	0	6.5	1	0.5	0.5	1	1	0.5	10
Metso	1.5	3	4.5	1	4	2	3	-	1	0.5	0.5	1	1	0	6.5
Neste	1	-	-	4	1	5	0	8	1	0.5	0.5	0.5	1	2.5	14.5
Nokia	1	-	-	0	2	3	-2	-	1	0	0	1	1	2.5	8.5
Nokian Tyres	1.5	0	4.5	0	3	2	3	-	1	0.5	0	1	0.5	2	6.5
Nordea	1	-	-	0.5	2	4	1	-	1	1	1	1	0.5	3	11
Orion	0.5	-	-	1.5	2	1	4	-	0	0.5	0	0	0	1	3.5
Outokumpu	1	-	-	1.5	4	1	4	-	1	0	1	1	1	1	7.5
Outotec	1	-	-	2	3	2	3	-	1	0	0.5	1	0.5	1.5	8.5
Sampo	3	3	4	2	1	5	0	5.5	0	0	0	0	0	1	8
Stora-Enso	1	-	-	2.5	4	1	4	-	1	0.5	1	1	0	0.5	7
TeliaSonera	1	-	-	1	1	5	0	8	1	1	0	1	0	3	11
Tieto	3	3	4.5	2	2	4	1	-	1	0	0	1	1	2	11
UPM	2	-	-	1.5	1	5	0	10	1	0.5	0.5	1	1	2.5	12.5
Valmet	0.5	-	-	1	4	1	4	-	1	0	0.5	1	0	3	7.5
Wärtsilä	3	4	4.5	2.5	3	5	0	7.5	1	1	1	1	0.5	3	14
YIT	1	-	-	4	1	5	0	7	1	0.5	0	0	0	2	12

Appendix 4. Formats of sample annual reports

Company	Sector	PDF	Reader	Interactive version	IR application	Score
<u>Neste</u>	Oil and Gas	+		-	-	1
<u>Huhtamäki</u>	Industrial goods and services	+		-	-	1
<u>Amer Sports</u>	Consumer goods	+		-	-	1
<u>Elisa</u>	Telecom	+		+	+	3
<u>Orion B</u>	Healthcare	"+/-"		-	-	0,5
<u>Tieto</u>	Technology	+		+	+	3
<u>UPM-Kymmene</u>	Materials	-	+	-	+	2
<u>Sampo A</u>	Finance	+		+	+	3
<u>Valmet</u>	Industrial goods and services	+		-	-	1
<u>Wärtsilä</u>	Industrial goods and services	+		+	+	3
<u>Cargotec</u>	Industrial goods and services	"+/-""		-	-	0,5
<u>Kesko B</u>	Consumer services	+		+	-	2
<u>Kone</u>	Industrial goods and services	+		-	+	2
<u>Stora Enso R</u>	Materials	+		-	-	1
<u>Nokia</u>	Technology	+		-	-	1
<u>Nordea Bank</u>	Finance	+		-	-	1
<u>Nokian Tyres</u>	Consumer goods	+		+/-	-	1,5
<u>Kemira</u>	Materials	+		-	-	1
<u>Konecranes</u>	Industrial goods and services	+		-	-	1
<u>Metso</u>	Industrial goods and services	+		+/-	-	1,5
<u>Fortum</u>	Utilities	+		+/-	-	1,5
<u>TeliaSonera</u>	Telecom	+		+	-	2
<u>YIT</u>	Industrial goods and services	+		-	-	1
<u>Outotec</u>	Industrial goods and services	+		-	-	1
<u>Outokumpu</u>	Materials	+		-	-	1

Appendix 5. Technical features of HTML annual reports

Technique	Elisa	Tieto	Sampo	Wärtsilä	Kesko	Nokian Renkaat	Metso	TeliaSonera	Fortum
Portal style homepage	1	1	1	1	1	1	1	1	1
Downloads page	1	1	1	1	1	-	1	1	-
CEO audio/video review	1	-	-	1	1	-	1	-	-
Animated graphs	-	-	-1	-	-	-1	-	-	-
Build your own AR	0	0	0	-	0	-	-	-	-
Create a note	-	-	-	-	-	-	-	-	-
Lighthouse image enlarge	-	-	-	-	-	-	-	-	-
Interactive theme	-	-	-	-	-	-	-	-	-
Finance available as XLS	-	-	1	-	-	-	-	-	-
Executive team layout	1	1	1	1	1	-	-	1	-
<i>Total Score</i>	4	3	3	4	4	0	3	3	1

Appendix 6. Design elements of HTML annual reports

Design element	Elisa	Tieto	Sampo	Wärt-silä	Kesko	Nokian Renkaat	Metso	Fortum
Responsive design	1	1	1	0	1	1	1	1
Explicit usage of video	1	0.5	0	1	1	1	0.5	0
Intuitive navigation	1	1	1	1	0.5	0.5	1	1
Large background images	1	0	0	0.5	1	1	1	1
Flat Design	1	1	1	1	1	0	0	1
Infographics	1	0	0	0	0	0	0	0.5
Parallax scrolling	1	0	1	1	1	1	1	1
Using a timeline framework	1	1	0	0	1	0	0	0
Total score	8	4.5	4	4.5	6.5	4.5	4.5	5.5

Appendix 7. Publications that constituted annual reports 2015. Content elements.

Company	Performance over 2 years	Relevant Report Publications 2015	Full Financial Statements	CEO Review	Corporate Governance	Strategy	Sustainability
Neste	87,32 %	Annual report: Neste in 2015	yes	yes	yes	yes	yes
Huhtamäki	83,26 %	- Huhtamäki 2015: Annual Accounts and Director's Report - CSR Report 2015	yes	yes	yes	no	separate report
Amer Sports	79,80 %	-Financial Review -CSR report 2014	yes	yes	yes	no	separate report only
Elisa	79,79 %	Annual Report	yes	yes	yes	yes	separate report only
Orion B	56,87 %	-Financial Statements -CSR Report 2014	yes	no	no	no	separate report only
Tieto	51,66 %	-Annual Report 2015 -Corporate Responsibility Report 2015	yes	yes	yes	yes	separate report only
UPM-Kymmene	39,74 %	Annual Report	yes	yes	yes/no	yes	yes
Sampo A	32,62 %	Annual Report	yes	yes	yes	yes	yes
Valmet	29,55 %	-Annual Review -Financial Statements 2015 -GRI Supplement -Corporate Governance Statement 2015	no	yes	no	yes	yes
Wärtsilä	28,25 %	-Annual Report -Annual Report 2015- Stories -Corporate Governance Statement	yes	yes	yes	yes	yes
Cargotec	26,84 %	- Financial Review 2015 - Annual Review 2015	yes/Fin. Rev.	yes/Fin. Rev. & Annual Review	yes/Fin. Rev.	yes/Annual Review	yes/Annual Review
Kesko	20,65 %	Annual Report	yes	yes	yes	yes	GRI report included
Kone	18,52 %	Financial Statements	yes	no	yes/no	no	no/ separate sustainability report 2014
Stora Enso	14,62 %	- Progress Book - Financial Report - Sustainability Report - Corporate Governance Report	yes/Fin. Report	yes/Progress Book	yes/Progress Book	yes/Progress Book	separate report only
Nokia	11,51 %	Annual Accounts	yes	yes	yes	no	yes + separate sustainability report 2014

Company	Performance over 2 years	Relevant Report Publications 2015	Full Financial Statements	CEO Review	Corporate Governance	Strategy	Sustainability
Nordea	4,97 %	- Annual Report - Responsible Investment Annual Report	yes	yes	yes	no	yes + Responsible Investment AR
Nokian Renkaat	-4,00 %	- Annual Report 2015 - Financial Review 2015 - CSR 2015	yes/Fin. Rev.	yes	yes/Fin. Rev.	yes	yes + CSR Report 2015
Kemira	-9,93 %	- Annual Report 2015 - CSR Report 2015	yes	yes	yes	yes	yes
Konecranes	-11,82 %	Annual Report 2015	yes	yes	yes	yes	yes/GRI index
Metso	-13,79 %	- Annual Review - Financial Statements 2015 - Corporate Governance Statement 2015 - Sustainability Report	yes/Fin. St.	yes/ Annual review / Fin.St./ Sustainability Report	yes/ Corp. Gov. St.	yes/ Annual Review	separate report only
Fortum	-15,79 %	- Remuneration 2015 - Financials 2015 - Fortum Oyj Parent Company FS - Corporate Governance Statement - CSR 2015 - Annual Review - only online	yes/Fin. St.	only online	yes/Corp. Gov. St.	only online	separate report only
TeliaSonera	-23,31 %	Annual and Sustainability Report 2015	yes	yes	yes	yes	yes
YIT	-48,47 %	Annual Report 2015	yes	yes	yes	yes	yes
Outotec	-55,50 %	- Financial Statements 2015 - Corporate Governance Statement - Sustainability Report	yes	yes	yes/Corp. Gov. St.	no	separate report only
Outokumpu	-72,76 %	- Annual report - Sustainability Report - Annual Accounts Bulletin 2015 - Outokumpu Annual Accounts Tables	yes/Tables	yes/ Bulletin	yes/ Bulletin	yes/ Bulletin	separate report only

Appendix 8. Application of Integrated Reporting Framework elements

Company	Business Activities explained	Value creation Process	Business resources explained	Operating context incl. risks and opportunities	Governance and Remuneration	KPI	Strategy	Stakeholder approach	Human Resources	Suppliers	comments	Score
Elisa	yes	no	yes	yes	yes	no	yes	no	yes	yes		7
Fortum	yes	yes	yes	yes/no risks	yes	no	yes	yes	yes/no	on website		7
Kemira	yes	yes		yes	yes	yes	yes	yes	yes	yes	6 capital model	10
Kesko	yes	yes	yes	yes	yes	yes	yes	slightly	yes	yes		9.5
Konecranes	yes	yes/no	no	yes	yes	no	no/yes	yes	yes/no	yes		6.5
Neste	yes	no/yes	yes	risks explained	yes	principles explained	yes	yes	yes	yes		8
Sampo	yes	no/yes	no	Risk management policy	yes	no	yes	no	yes	slightly		5.5
Stora Enso	yes	yes	yes	yes	yes	no/yes	yes	yes	yes	slightly	6 capital model	8
TeliaSonera	yes	yes	yes	risks explained	remuneration is missing	no	yes	yes	yes	yes	6 capital model	8
UPM	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes		10
Wartsila	yes	no/yes	no/yes	yes	yes	no/yes		yes	yes	yes		7.5
YIT	yes	yes	yes	yes	remuneration is missing	yes	yes	yes/no	no	only in GRI part		7

Appendix 9. CSR Disclosure

	GRI	References to other frame-works	Materiality matrix	Assurance
Amer Sports	GRI G4	no	Materiality matrix	Not assured by a third party
Cargotec	GRI G4	no	Materiality assessment	PwC
Elisa	GRI G4	UN Global Compact	Materiality matrix	Audited
Fortum	GRI G4	UN Global Compact	no	Not assured by a third party
Huhtamäki	GRI G4	no	Materiality matrix	Audited
Kemira	GRI G4	UN Global Compact	no	Deloitte
Kesko	GRI G4	UN Global Compact	Materiality matrix	Audited PwC
Kone	GRI G4	UN Global Compact	materiality analysis	Mitopro - independent sustainability experts
Konecranes	GRI index	UN Global Compact	materiality graphic	Ecobio (available separately)
Metso	GRI G4	UN Global Compact	materiality matrix	Pwc
Neste	GRI G4	UN Global Compact	Materiality matrix	congruence between the Finnish and English versions' numerical sustainability information by an independent third party PwC
Nokia	GRI G4 core	UN Global Compact	Materiality analysis	PwC
Nokian Tyres	GRI G4 core	UN Global Compact	yes/no	KPMG (separately)
Nordea	GRI G4	Un Compact Global	determining material issues	PwC
Orion	no	no	no	Not assured by a third party
Outokumpu	GRI G4	UN Global Compact	materiality matrix	PwC
Outotec	GRI G4	UN Global Compact	yes "topics that matter most"	Ecobio
Sampo	no	no	no	no
Stora-Enso	GRI G4	Un Compact Global	no	Deloitte & Touch
TeliaSonera	GRI G4 core	Un Compact Global	no	Deloitte
Tieto	GRI G4 core	Un Compact Global	materiality analysis	PwC
UPM-Kymmene	GRI G4 core	Un Compact Global	materiality analysis	PwC
Valmet	GRI G4	UN Global Compact	no	PwC
Wärtsilä	GRI G4	UN Global Compact	yes, text	KPMG
YIT	GRI G4	no	no	no

Appendix 10. Timing of publication of annual reports 2015

Company	Financial statements 2016 publication date	Financial statements 2015 publication date	Annual report 2016 expected publica- tion date	Annual report 2015 publication date	Working days before publish- ing financial statements 2015	Working days before pub- lishing annual report 2015
Nordea	26.1	27.1	12-17.2	16.2	17	31
Wärtsilä	27.1	27.1		9.2	17	26
Kone	26.01	28.1	19-23.2	28.1	18	18
Elisa	27.1	29.1		9.3	19	47
TeliaSonera	27.1	29.1		10.3	19	48
UPM-Kymmene	31.1	2.2	28.2	1.3	21	41
Orion	8.2	2.2	-	-	21	21
Kesko (<IR>)	2.2	3.2		11.3	22	49
Konecranes	8.2	3.2		1.3	22	41
Amer Sports	9.02	3.2	13-19.2	15.2	22	30
Tieto	2.2	4.2	1.3	22.3	23	56
Metso	3.2	4.2		26.2	23	39
Stora-Enso	3.2	4.2		17.2	23	32
Neste	7.2	4.2	6.3	7.3	23	45
Nokian Tyres	2.2	5.2	13.3	18.3	24	54
YIT	3.2	5.2		22.2	24	56
Outotec	2.2	9.2		26.2	26	39
Valmet	9.2	9.2		29.2	26	40
Outokumpu	2.2	9.2	-	10.2	26	27
Cargotec	8.2	10.2		17.2	27	32
Sampo	8.2	10.2	20-26.3	15.3	27	51
Nokia	2.2	11.2	19.3	1.4	28	64
Kemira	8.2	11.2	20.2	24.02	28	37
Huhtamäki	15.2	11.2		26.2	28	39
Fortum	2.2	12.2	20.2	25.2	29	38

Appendix 11. Future-orientation in narrative sections of the sample annual reports

	"Future" in the ta- ble of content	Future ori- entation in strategy disclosure	Future orien- tation in CEO review	Future orienta- tion in CSR	points
Amer Sports	-	no	yes	no	1
Cargotec	yes	yes/no	no	yes	1,5
Elisa	no	yes	no	no	1
Fortum	no	no	yes	no	1
Huhtamäki	no	no	yes	no	1
Kemira	no	yes	yes	yes	3
Kesko	no	yes/no	no	no	0,5
Kone	no	no	no	no	0
Konecranes	no	no	no/yes	no	0,5
Metso	no	no	no	no	0
Neste	no	yes	yes	yes/no	2,5
Nokia	no	yes	yes	yes/no	2,5
Nokian Tyres	yes/no	yes	yes	no	2
Nordea	no	yes	yes	yes	3
Orion	no	yes	no	no	1
Outokumpu	no	no	yes	no	1
Outotec	no	no	no/yes	yes	1,5
Sampo	no	no/yes	no/yes	no/yes	1
Stora-Enso	no	no/yes	no	no	0,5
TeliaSonera	no	yes	yes	yes	3
Tieto	no	yes	yes	no	2
UPM-Kymmene	no	yes	yes/no	yes	2,5
Valmet	no	yes	yes	yes	3
Wärtsilä	no	yes	yes	yes	3
YIT	no	yes	yes	no	2

Appendix 12. Interactive elements in PDF annual reports

	Interactive table of content		Interactive navigation through the document		Links to external resources (website, YouTube, etc)		Other interactive features		Total	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Amer Sports	0	1	0	1	0	0,5	0	0	0	2,5
Cargotec	0	1	0	1	0,5	0,5	0	0	0,5	2,5
Elisa	1	1	0	0	1	1	0	0	2	2
Fortum	1	1	1	1	0	1	0	0	2	3
Huhtamäki	1	1	1	1	0	0	1	1	3	3
Kemira	0	0	0	0	0	0	0	0	0	0
Kesko	1	1	0	1	1	1	0	0	2	3
Kone	1	0	0	0	0	0	0	0	1	0
Konecranes	1	1	0	0	0	0	0	0	1	1
Metso	0	1	0	0	1	0	0	0	1	1
Neste	1	1	1	1	1	1	1	0	4	3
Nokia	0	0	0	0	0	0	0	0	0	0
Nokian Tyres	0	1	0	0	0	0,5	0	0	0	1,5
Nordea	0	0	0	0	0,5	0,5	0	0	0,5	0,5
Orion	1	1	0	0	0,5	0,5	0	0	1,5	1,5
Outokumpu	1	1	0	1	0,5	1	0	0,5	1,5	3,5
Outotec	1	1	1	1	0	0	0	0	2	2
Sampo	1	1	0	0	1	1	0	0	2	2
Stora-Enso	1	1	1	1	0,5	0,5	0	0	2,5	2,5
TeliaSonera	0	1	0	0	1	1	0	0	1	2
Tieto	1	1	0	0	1	1	0	0	2	2
UPM-Kymmene	1	1	0	0,5	0,5	1	0	0	1,5	2,5
Valmet	1	1	0	0	0	0	0	0	1	1
Wärtsilä	1	1	0	0	0,5	0,5	1	1	2,5	2,5
YIT	1	1	1	1	1	1	1	1	4	4

Appendix 13. Length of PFD annual reports 2015 and 2016

	Length, pages		
	2015	2016	difference
Amer Sports	84	84	0
Cargotec	162	198	36
Elisa	207	226	19
Fortum	115	139	24
Huhtamäki	80	100	20
Kemira	220	206	-14
Kesko	487	335	-152
Kone	76	92	16
Konecranes	70	72	2
Metso	88	90	2
Neste	178	202	24
Nokia	216	228	12
Nokian Tyres	72	80	8
Nordea	222	240	18
Orion	95	100	5
Outokumpu	120	130	10
Outotec	85	93	8
Sampo	278	293	15
Stora-Enso	343	331	-12
TeliaSonera	220	232	12
Tieto	170	239	69
UPM-Kymmene	80	90	10
Valmet	201	202	1
Wärtsilä	262	258	-4
YIT	168	190	22
Average length	242.8462	248.6923	6.04